



THAI AGRO ENERGY PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FINANCIAL STATEMENTS OF THE 3rd QUARTER 2022



MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of the 3rd Quarter 2022)

OVERALL OPERATING RESULTS

The overall operating results of the Company in the 3rd quarter 2022, the Company has total revenue of Baht 542.57 million, which increased from the same period last year by 16.50 percent and the Company has total revenue in the first 9-month period of 2022 of Baht 1,494.49 million which decreased from the same period last year by 13.72 percent, resulted in a net loss in the 3rd quarter 2022 amounted to Baht 25.65 million, which decreased from the same period last year by 7.20 percent due to the increase of ethanol sale volume and ethanol selling price by 6.85 percent and 8.97 percent, respectively and net loss for the first 9-month period of 2022 amounted to Baht 72.01 million, which increased from the same period last year by 431.44 percent. Because the main raw materials in ethanol production are scarce. As a result, raw material prices have risen, and ethanol sales volume decreased by 15.58 percent in line with the decrease in raw material volume, although ethanol selling prices increased by 2.23 percent.

OPERATING RESULTS ANALYSIS

REVENUE:

Description	Year 2022		Year 2021		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
3rd quarter (July – September)						
Sales Revenue	542.11	99.92	465.68	99.99	76.43	16.41
Other Revenue	0.46	0.08	0.03	0.01	0.43	N/A
Total Revenue	542.57	100.00	465.71	100.00	76.86	16.50
9-Month Period (January – September)						
Sales Revenue	1,493.73	99.95	1,731.60	99.97	(237.87)	(13.74)
Other Revenue	0.76	0.05	0.52	0.03	0.24	46.15
Total Revenue	1,494.49	100.00	1,732.12	100.00	(237.63)	(13.72)

(1) The Company's revenue in the 3rd quarter 2022 totaled Baht 542.57 million, which increased from the same period last year by Baht 76.86 million or 16.50 percent, due to the following reasons.

(1.1) Revenue from ethanol sales increased by Baht 76.43 million or 16.41 percent from the same period last year due to the increase in ethanol sale volume and ethanol selling price by 6.85 percent and 8.97 percent, respectively, and;



(1.2) Other revenue increased from the same period last year by Baht 0.43 million due to the increase of revenue from fusel oil sales.

(2) The Company's revenue in the first 9-month period of 2022 totaled Baht 1,494.49 million, which decreased from the same period of last year by Baht 237.63 million or 13.72 percent, due to the following reasons.

(2.1) Revenue from ethanol sales decreased from the same period of last year Baht 237.87 million or 13.74 percent due to the decrease of ethanol sale volume by 15.58 percent. This was the result of a shortage of raw materials. Although the ethanol selling prices increased by 2.23 percent.

(2.2) Other revenue increased from the same period of last year by Baht 0.24 million or 46.15 percent. This was due to the increase of revenue from fusel oil sales.

EXPENSES:

Description	Year 2022		Year 2021		Increase (Decrease)	
	Baht Million	% of Sales	Baht Million	% of Sales	Baht Million	%
3rd quarter (July – September)						
Cost of sales	522.80	96.44	452.71	97.21	70.09	15.48
Selling and administrative expense	40.80	7.53	30.01	6.44	10.79	35.95
Financial cost	10.96	2.02	9.10	1.95	1.86	20.44
(Revenue) income tax expenses	(6.34)	(1.17)	1.53	0.34	(7.87)	(514.38)
Total Expenses	568.22	104.82	493.35	105.94	74.87	15.18
9-Month Period (January – September)						
Cost of sales	1,438.92	96.33	1,643.66	94.92	(204.74)	(12.46)
Selling and administrative expense	113.22	7.58	73.08	4.22	40.14	54.93
Financial cost	32.05	2.14	27.69	1.60	4.36	15.75
(Revenue) income tax expenses	(17.69)	(1.18)	1.24	0.07	(18.93)	(1,526.61)
Total Expenses	1,566.50	104.87	1,745.67	100.81	(179.17)	(10.26)

(1) The Company's expenses in the 3rd quarter 2022 totaled Baht 568.22 million, which increased from the same period last year by Baht 74.87 million or 15.18 percent, due to the following reasons.

(1.1) Cost of ethanol sales increased from the same period last year by Baht 70.09 million or 15.48 percent. This was due to the increase of ethanol sale volume.

(1.2) Selling and administrative expenses increased from the same period last year by Baht 10.79 million or 35.95 percent. Due to raw material shortages, the Company considered temporarily discontinuing ethanol production line 1 in the 3rd quarter 2022 and ethanol production line 2



in the second half of September 2022, thus transferring the operating expenses of ethanol production resulting in such increased sales and administrative expenses.

(1.3) Financial cost increased from the same period last year by Baht 1.86 million or 20.44 percent. This was due to the increase of short-term loan, and;

(1.4) Income tax expenses decreased from the same period last year by Baht 7.87 million or 514.38 percent due to the decrease of profit.

(2) The Company's expenses in the first 9-month period of 2022 totaled Baht 1,566.50 million, decreased from the same period last year by Baht 179.17 million or 10.26 percent, due to the following reasons.

(2.1) Cost of ethanol sales decreased from the same period last year by Baht 204.74 million or 12.46 percent due to the decrease of ethanol sale volume.

(2.2) Selling and administrative expenses increased from the same period last year by Baht 40.14 million or 54.93 percent. Due to raw material shortages, the Company considered temporarily discontinuing ethanol production line 1 since the 2nd quarter 2022 and ethanol production line 2 in the second half of September 2022, thus transferring the operating expenses of ethanol production resulting in such increased sales and administrative expenses.

(2.3) Financial cost increased from the same period of last year by Baht 4.36 million or 15.75 percent. This was due to the increase of short-term loan, and;

(2.4) Income tax expenses decreased from the same period last year by Baht 18.93 million or 1,526.61 percent due to due to the decrease of profit.

GROSS PROFIT:

Description	Year 2022		Year 2021	
	Baht Million	%	Baht Million	%
3rd quarter (July – September)				
Revenues from sales	542.11	100.00	465.68	100.00
Less cost of sales	522.80	96.44	452.71	97.21
Gross Profit	19.31	3.56	12.97	2.79
9-Month Period (January – September)				
Revenues from sales	1,493.73	100.00	1,731.60	100.00
Less cost of sales	1,438.92	96.33	1,643.66	94.92
Gross Profit	54.81	3.67	87.94	5.08

(1) The Company's gross profit in the 3rd quarter 2022 was Baht 19.31 million, or 3.56 percent of the revenue from sales, increased from the same period of last year which the gross profit was 2.79 percent of the revenue from sales. Since it was able to adjust the sale price of ethanol, it increased from the same period last year by 8.97 percent.



(2) The Company's gross profit in the first 9-month period of 2022 was Baht 54.81 million, or 3.67 percent of sales revenue, which decreased from the same period of last year which the gross profit was 5.08 percent of the revenue from sales. Because the price of the main raw materials in ethanol production increased from the same period last year, although the ethanol selling price was increased from the same period last year by 2.23 percent.

NET LOSS:

Description	Unit	Year 2022	Year 2021	Increase/ (Decrease)	%
3rd quarter (July-September)					
NET LOSS	Baht Million	(25.65)	(27.64)	(1.99)	(7.20)
NET LOSS PER SHARE	Baht per Share	(0.026)	(0.028)	(0.002)	(7.14)
9-Month Period (January – September)					
NET LOSS	Baht Million	(72.01)	(13.55)	58.46	431.44
NET LOSS PER SHARE	Baht per Share	(0.072)	(0.014)	0.058	414.29
Remark Registered par value of Baht 1 per share					

(1) The Company's net loss in the 3rd quarter of 2022 was Baht 25.65 million, decreased from the same period last year by Baht 1.99 million or 7.20 percent, generating a net loss at Baht 0.026 per share which decreased from the same period last year by Baht 0.002 per share, due to the reasons as described above.

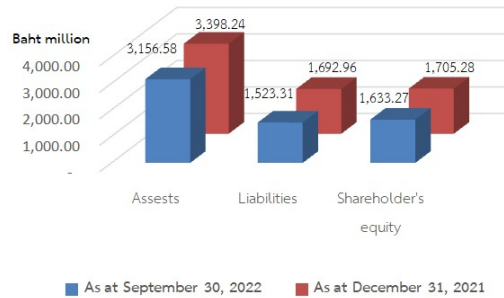
(2) The Company's net loss in the first 9-month period of 2022 was Baht 72.01 million, increased from the same period last year by Baht 58.46 million or 431.44 percent, generating a net loss at Baht 0.072 per share which increased from the same period last year by Baht 0.058 per share, due to the reasons as described above.

STATEMENT OF FINANCIAL POSITION

Description	Unit	As at September 30, 2022	As at December 31, 2021	Increase (Decrease)	%
Total Assets	Baht Million	3,156.58	3,398.24	(241.66)	(7.11)
Total Liabilities	Baht Million	1,523.31	1,692.96	(169.65)	(10.02)
Total Shareholder's Equity	Baht Million	1,633.27	1,705.28	(72.01)	(4.22)
Book Value	Baht per Share	1.633	1.705	(0.072)	(4.22)
Remark: Registered per value of Baht 1 per share					



STATEMENT OF FINANCIAL POSITION



ASSETS: The Company's total assets as at September 30, 2022 decreased from the end of year 2021 by Baht 241.66 million or 7.11 percent. The total assets consisting of:

(1) Current Assets decreased from the end of 2021 by Baht 192.31 million or 30.21 percent, due to (A) Cash and cash equivalent decreased by Baht 13.30 million or 36.20 percent; (B) Trade accounts receivable and other receivables decreased by Baht 8.59 million or 4.34 percent; (C) Inventories increased by Baht 80.83 million or 77.30 percent, most of which were molasses; (D) Advances payment for purchase goods decreased by Baht 244.18 million or 85.09 percent, and (E) Another current assets decreased by Baht 7.07 million or 67.53 percent.

(2) Non-Current Assets decreased from the end of year 2021 by Baht 49.35 million or 1.79 percent, consisting of: (A) Biological assets increased by Baht 2.75 million or 23.75 percent; (B) Land, plant and equipments decreased by Baht 63.94 million or 2.37 percent; (C) Right-of-use assets decreased by Baht 5.74 million or 22.71 percent, and (D) Another non-current assets most of which were deferred tax assets increased by Baht 17.58 million or 77.31 percent.

LIABILITIES : The Company's total liabilities as at September 30, 2022 decreased from the end of year 2021 by Baht 169.65 million or 10.02 percent, due to (A) Short-term loan from financial institution which was for raw material supply and for working capital, increased by Baht 45.03 million or 5.90 percent (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, decreased by Baht 45.59 million or 67.25 percent. (C) Long-term loan decreased by Baht 171.78 million or 21.06 percent, and (D) Other liabilities most of which were liabilities under lease agreement increased by Baht 2.69 million or 5.89 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at September 30, 2022 decreased from the end of year 2021 by Baht 72.01 million or 4.22 percent, due to the net loss as described above.



CASH FLOWS

Description (Unit : Baht Million)	First 9-months period (January – September)	
	Year 2022	Year 2021
Cash Flows from Operating Activities	177.22	18.06
Cash Flows used in Investing Activities	(57.85)	(76.72)
Cash Flows from (used in)Financing Activities	(132.67)	59.45
Net Increase (Decrease) in Cash	(13.30)	0.79
Cash at the Beginning of the Period	36.74	26.50
Cash at the End of the Period	23.44	27.29

(1) The Company's net cash from operating activities in the first 9-month period of 2022 was Baht 177.22 million, consisting of: (A) Loss before corporate income tax of Baht 89.70 million; (B) Non-cash items such as depreciation of Baht 159.31 million; (C) The operating assets decreased by Baht 179.69 million due to a decrease in trade and other receivables, inventories, advance payments for purchase of goods and another current assets; (D) The operating liabilities decreased by Baht 40.20 million due to a decrease in trade accounts payable, other accounts payable and other current liabilities; (E) An interest received of Baht 0.02 million; and (F) An interest expense of Baht 31.90 million.

(2) The Company's net cash used in investment activities in the first 9-month period of 2022 was Baht 57.85 million, consisting of: (A) The cost of industrial crops planting of Baht 2.76 million; and (B) Assets purchasing by Baht 55.09 million.

(3) The Company's net cash used in financing activities in the first 9-month period of 2022 was Baht 132.67 million consisting of : (A) Repayment of short-term loan from financial institution by Baht 45.03 million; (B) Repayment of long-term loan by Baht 172 million, and (C) Repayment under financial lease of Baht 5.70 million.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at September 30, 2022 were 0.40 times and 0.19 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 with good support from financial institution.

(2) The total debt to equity ratio of the Company as at September 30, 2022 was 0.93:1 times.



(3) The cash cycle of the Company in the first 9 month period of 2022 was 31.57 days, which increased from the end of year 2021 by 13.03 days. The average debt collection period was 33.33 days, which increased from the end of year 2021 by 4.07 days. The average inventory turnover was at 3.74 days, which increased from the end of year 2021 by 1.14 days, and the average debt repayment period was at 5.50 days, which decreased from the end of year 2021 by 7.82 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, 2022, the Company is unable to maintain the DSCR ratio in accordance with the obligations in the loan agreement. However, the lending bank has already written a letter of easing of conditions for maintaining a financial ratio on August 3, 2022.

(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 Company will not be able to pay dividends to shareholders if the Company cannot comply with the conditions set forth in the loan agreement, such as the holding of D/E and DSCR ratios, the holding of Lanna's share in the Company, etc., unless waived by such lenders.

FUTURE TREND

Due to government measures that help drive the economy, such as relaxation measures of travel in and out of the country, the opening of entertainment venues, and especially, the decrease in gasohol prices since last July. As a result, the demand for fuel and ethanol is increasing and the trend continues to improve. In addition, the Oil Fuel Fund Office (OFFO) prepares a plan to promote the use of gasohol E20 with the goal of increasing ethanol consumption and supporting gasohol E20 as a base gasoline. It is expected to start rolling out during December 2022 or January 2023, which is expected to result in an increase in demand for ethanol.