



**THAI AGRO ENERGY PUBLIC COMPANY LIMITED**

**MANAGEMENT DISCUSSION AND ANALYSIS**

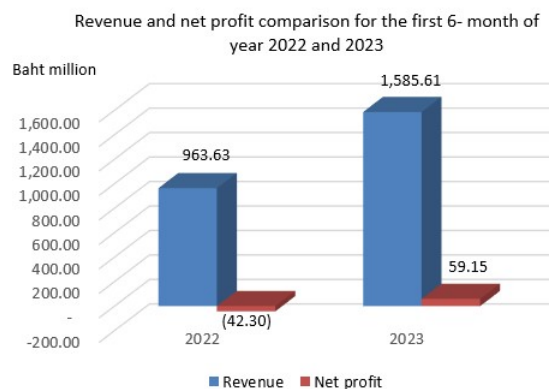
**FOR FINANCIAL STATEMENTS OF THE 2<sup>nd</sup> QUARTER OF 2023**

## MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of the 2<sup>nd</sup> Quarter of 2023)

### OVERALL OPERATING RESULTS

The overall operating results of the Company in the 2<sup>nd</sup> quarter 2023 and the first 6-month period of 2023, the Company has total revenue of Baht 776.71 million and Baht 1,585.61 million, which increased from the same period last year by 165.99 percent and 64.55 percent respectively, resulted in a net profit in the 2<sup>nd</sup> quarter 2023 and the first 6-month period of 2023 amounted to Baht 4.21 million and Baht 59.15 million, which increased from the same period last year by 108.85 percent and 239.83 percent respectively, Due to the increase in the volume and price of ethanol distribution, as well as the commercial sale of soil conditioners.



### OPERATING RESULTS ANALYSIS

#### REVENUE:

Description	Year 2023		Year 2022		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
<b>2<sup>nd</sup> quarter (April – June)</b>						
Sales Revenue	776.16	99.93	291.72	99.90	484.44	166.06
Other Revenue	0.55	0.07	0.29	0.10	0.26	89.66
<b>Total Revenue</b>	<b>776.71</b>	<b>100.00</b>	<b>292.01</b>	<b>100.00</b>	<b>484.70</b>	<b>165.99</b>
<b>6-Month Period (January – June)</b>						
Sales Revenue	1,557.66	98.24	963.33	99.97	594.33	61.70
Other Revenue	27.95	1.76	0.30	0.03	27.65	N/A
<b>Total Revenue</b>	<b>1,585.61</b>	<b>100.00</b>	<b>963.63</b>	<b>100.00</b>	<b>621.98</b>	<b>64.55</b>

(1) The Company's total revenue in the 2<sup>nd</sup> quarter 2023 was Baht 776.71 million, which increased from the same period last year by Baht 484.70 million or 165.99 percent, due to the following reasons.

(1.1) Revenue from sales increased from the same period last year by Baht 484.44 million or 166.06 percent due to the increase in ethanol sale volume and price by 147.95 percent and 9.17 respectively. as well as the commercial sale of soil conditioners, and

(1.2) Other revenue increased from the same period last year by Baht 0.26 million or due to the revenue from fusel oil sales.

(2) The Company's revenue in the first 6-month period of 2023 was Baht 1,585.61 million, which increased from the same period of last year by Baht 621.98 million or 64.55 percent, due to the following reasons.

(2.1) Revenue from sales increased from the same period of last year by Baht 594.33 million or 61.70 percent due to the increase in ethanol sale volume and price by 42.12 percent and 13.02 respectively. as well as the commercial sale of soil conditioners, and

(2.2) Other revenue increased from the same period of last year by Baht 27.65 million. Due to receiving penalty from the failure of the contracting party to comply with the contract and insurance compensation.

#### EXPENSES:

Description	Year 2023		Year 2022		Increase (Decrease)	
	Baht Million	% of Sales	Baht Million	% of Sales	Baht Million	%
<b>2<sup>nd</sup> quarter (April – June)</b>						
Cost of sales	707.89	91.20	287.49	98.55	420.40	146.23
Selling and administrative expense	45.90	5.91	50.21	17.21	(4.31)	(8.58)
Financial cost	17.19	2.21	10.77	3.69	6.42	59.61
Corporate income tax	1.52	0.20	(8.89)	(3.04)	10.41	117.10
<b>Total Expenses</b>	<b>772.50</b>	<b>99.53</b>	<b>339.58</b>	<b>116.41</b>	<b>432.92</b>	<b>127.49</b>
<b>6-Month Period (January – June)</b>						
Cost of sales	1,390.28	89.25	921.43	95.65	468.85	50.88
Selling and administrative expense	87.12	5.59	72.42	7.52	14.70	20.30
Financial cost	34.25	2.21	21.09	2.19	13.16	62.40
Corporate Income tax	14.81	0.95	(9.01)	(0.94)	23.82	264.37
<b>Total Expenses</b>	<b>1,526.46</b>	<b>98.00</b>	<b>1,005.93</b>	<b>104.42</b>	<b>520.53</b>	<b>51.75</b>

(1) The Company's expenses in the 2<sup>nd</sup> quarter 2023 to was Baht 772.50 million, which increased from the same period last year by Baht 432.92 million or 127.49 percent, due to the following reasons;

(1.1) Cost of sales increased by Baht 420.40 million or 146.23 percent from the same period last year. This was due to an increase in ethanol sale volume.

(1.2) Selling and administrative expenses decreased by Baht 4.31 million or 8.58 percent from the same period last year. Due to raw material shortage, ethanol production of Line 1 in the 2<sup>nd</sup> quarter of 2022 and Line 2 in some periods were temporarily discontinued, so operating expenses were transferred to selling and administrative expenses. However, in the 2<sup>nd</sup> quarter of 2023, ethanol production machinery can operate normally.

(1.3) Financial cost increased by Baht 6.42 million or 59.61 percent from the same period last year. This is due to an increase in short-term loan and higher lending rates, and;

(1.4) Corporate income tax increased by Baht 10.41 million or 117.10 percent from the same period last year due to the increase of profit.

(2) The Company's expenses in the first 6-month period of 2023 was Baht 1,526.46 million, which increased from the same period last year by Baht 520.53 million or 51.75 percent, due to the following reasons.

(2.1) Cost of sales increased by Baht 468.85 million or 50.88 percent from the same period last year. This was due to an increase in ethanol sale volume.

(2.2) Selling and administrative expenses increased by Baht 14.70 million or 20.30 percent from the same period last year. This is because the transportation cost of ethanol distribution increases in line with the price of car fuel.

(2.3) Financial cost increased by Baht 13.16 million or 62.40 percent from the same period of last year. This is due to an increase in short-term loan and higher lending rates, and;

(2.4) Corporate Income tax expense increased by Baht 23.82 million or 264.37 percent from the same period last year due to the increase of profit.

#### **GROSS PROFIT:**

Description	Year 2023		Year 2022	
	Baht Million	%	Baht Million	%
<b>2<sup>nd</sup> quarter (April – June)</b>				
Revenues from sales	776.16	100.00	291.72	100.00
Less cost of sales	707.89	91.20	287.49	98.55
<b>Gross Profit (Loss)</b>	<b>68.27</b>	<b>8.80</b>	<b>4.23</b>	<b>1.45</b>
<b>6-Month Period (January – June)</b>				
Revenues from sales	1,557.66	100.00	963.33	100.00
Less cost of sales	1,390.28	89.25	921.43	95.65
<b>Gross Profit</b>	<b>167.38</b>	<b>10.75</b>	<b>41.90</b>	<b>4.35</b>

(1) The Company's gross profit in the 2<sup>nd</sup> quarter 2023 was Baht 68.27 million or 8.80 percent of the sales revenue, which increased from the same period last year which the gross profit of 1.45 percent of the sales revenue. This was due to the sale price of ethanol increased by 9.17 percent.

(2) The Company's gross profit in the first 6-month period of 2023 was Baht 167.38 million, or 10.75 percent of the revenue from sales, which increased from the same period of last year which the gross profit of 4.35 percent of the sales revenue. This was due to the sale price of ethanol increased by 13.02 percent.

#### NET PROFIT:

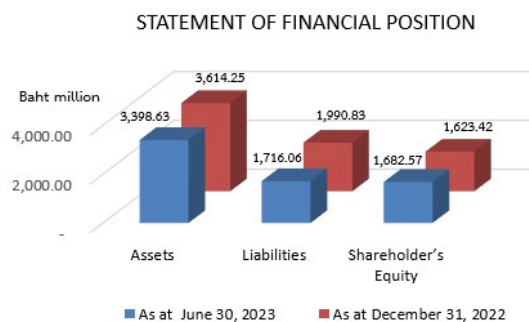
Description	Unit	Year 2023	Year 2022	Increase/ (Decrease)	%
<b>2<sup>nd</sup> quarter (April – June)</b>					
NET (LOSS) PROFIT	Baht Million	4.21	(47.57)	51.78	108.85
NET (LOSS) PROFIT PER SHARE	Baht per Share	0.004	(0.048)	0.052	108.33
<b>6-Month Period (January – June)</b>					
NET(LOSS) PROFIT	Baht Million	59.15	(42.30)	101.45	239.83
NET (LOSS) PROFIT PER SHARE	Baht per Share	0.059	(0.042)	0.101	240.48
<u>Remark</u> Registered par value of Baht 1 per share					

(1) The Company's net profit in the 2<sup>nd</sup> quarter of 2023 was Baht 4.21 million, increased from the same period last year by Baht 51.78 million or 108.85 percent, generating a net profit at Baht 0.004 per share which increased from the same period last year by Baht 0.052 per share, due to the reasons as described above.

(2) The Company's net profit in the first 6-month period of 2023 was Baht 59.15 million which increased from the same period last year by Baht 101.45 million or 239.83 percent, which accounts for net profit of Baht 0.059 per share. When compared with the same period last year, the net profit increased by Baht 0.101 per share. The reason is as described above.

#### STATEMENT OF FINANCIAL POSITION

FINANCIAL POSITION	Unit	As at June 30, 2023	As at December 31, 2022	Increase (Decrease)	%
Total Assets	Baht Million	3,398.63	3,614.25	(215.62)	(5.97)
Total Liabilities	Baht Million	1,716.06	1,990.83	(274.77)	(13.80)
Total Shareholder's Equity	Baht Million	1,682.57	1,623.42	59.15	3.64
Book Value	Baht per Share	1.68	1.62	0.06	3.70
<u>Remark:</u> Registered per value of Baht 1 per share					



**ASSETS:** The Company's total assets as at June 30, 2023 decreased from the end of year 2022 by Baht 215.62 million or 5.97 percent. The total assets consisting of:

1. Current assets decreased from the end of 2022 by Baht 181.89 million or 19.70 percent, consisting of: (A) Cash and cash equivalent increased by Baht 20.75 million or 94.58 percent; (B) Trade accounts receivable and other receivables increased by Baht 58.54 million or 31.54 percent; (C) Inventories, most of which were molasses, increased by Baht 213.15 million or 140.36 percent; (D) Advances payment for purchase goods decreased by Baht 456.88 million or 84.55 percent, and (E) Another current assets decreased by Baht 17.45 million or 73.78 percent.

2. Non-current assets decreased from the end of year 2022 by Baht 33.73 million or 1.25 percent, consisting of: (A) Biological assets increased by Baht 2.27 million or 14.96 percent; (B) Land, plant and equipment decreased by Baht 17.71 million or 0.68 percent; (C) Right-of-use assets decreased by Baht 3.57 million or 20.16 percent, and (D) Another non-current assets most of which were deferred tax assets decreased by Baht 14.72 million or 42.88 percent.

**LIABILITIES:** The Company's Total Liabilities as at June 30, 2023 decreased from the end of year 2022 totaled 274.77 million or 13.80 percent, consisting of: (A) Short-term loan which was for raw material supply and for working capital, decreased by Baht 194.39 million or 14.91 percent (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, increased by Baht 27.50 million or 34.92 percent. (C) Long-term loan decreased by Baht 121.86 million or 21.30 percent, and (D) Other liabilities, mainly undue expenses and liabilities under lease agreement increased by Baht 13.98 million or 38.87 percent.

**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company as at June 30, 2023 increased from the end of year 2022 by Baht 59.15 million or 3.64 percent, due to the profit as described above.

## CASH FLOWS

Description	Unit	First six months period (January – June)	
		Year 2023	Year 2022
Cash Flows from (used in) Operating Activities	Baht Million	413.08	(44.49)
Cash Flows used in Investing Activities	Baht Million	(72.15)	(41.46)
Cash Flows from (used in) Financing Activities	Baht Million	(320.18)	70.91
Net increase (decrease) in cash and cash equivalent	Baht Million	20.75	(15.04)
Cash and cash equivalent at the beginning of the period	Baht Million	21.94	36.74
<b>Cash and Cash Equivalent at the End of the Period</b>	<b>Baht Million</b>	<b>42.69</b>	<b>21.70</b>

1. The Company's net cash from operating activities in the first 6-month period of 2023 totaled Baht 413.08 million, consisting of: (A) Profit before corporate income tax of Baht 73.96 million; (B) Non-cash items such as depreciation; Baht 125.20 million. (C) The operating assets decreased by Baht 202.64 million due to a decrease 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 44.04 million due to an increase in trade accounts payable, other accounts payable and other current liabilities, and (E) An interest received of Baht 1.21 million; and (F) An interest expense by Baht 33.97 million.

2. The Company's net cash used in investment activities in the first 6-month period of 2023 totaled Baht 72.15 million, consisting of: (A) The cost of industrial crops planting of Baht 2.27 million and (B) Assets purchasing by Baht 69.88 million.

3. The Company's net cash from financing activities in the first 6-month period of 2023 totaled Baht 320.18 million consisting of: (A) Repayment of short-term loan of Baht 194.61 million, (B) Repayment of long-term loan by Baht 122 million and (C) Repayment under financial lease at Baht 3.57 million.

## LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at June 30, 2023 were 0.51 times and 0.20 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 June 30, 2023 was 1.02:1 times.

(3) The cash cycle of the Company in the first 6-month period of 2023 was 23.97 days, which decreased from the end of year 2022 by 4.43 days. The average debt collection period was at 28.94

days, which decreased from the end of year 2022 by 3.63 days. The average inventory turnover was at 5.64 days, which decreased from the end of year 2022 by 0.34 days, and the average debt repayment period was at 10.61 days, increased from the end of year 2022 by 0.46 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 June 30, 2023, the Company is able to maintain the financial ratios as stipulated in the loan agreement.
- (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**

Thai economy is projected to expand by 3.6 percent in 2023, resulting in an upward trend in demand for ethanol in 2023 due to the relatively clear and continuous recovery of the tourism sector and the new government's stimulus policy. In addition, the Company plans to distribute soil conditioners continuously throughout 2023, which will result in increased revenue.

As for the amount of raw materials used in production, molasses in the country has a high price and is not enough to meet domestic demand. Therefore, the Company considers the use of imported molasses raw materials including cassava for ethanol production to increase the production and distribution of ethanol.

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