



THAI AGRO ENERGY PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FINANCIAL STATEMENTS OF THE 3rd QUARTER 2023

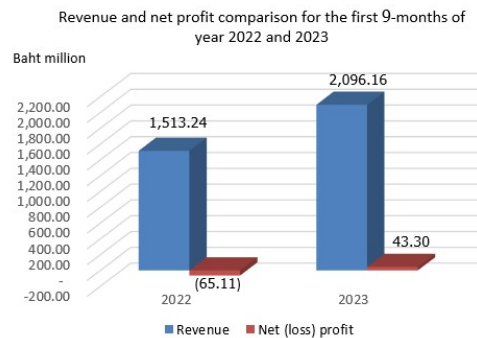


MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of the 3rd Quarter 2023)

OVERALL OPERATING RESULTS

In the 3rd quarter of 2023, the Company had total revenue of Baht 510.55 million and net loss of Baht 15.85 million, which decreased from the same period last year by 7.11 percent and 30.51 percent. For the first nine months of 2023, the Company had total revenue of Baht 2,096.16 million and net profit of Baht 43.30 million. This was an increase of 38.52 percent and 166.50 percent from the same period last year due to an increase in ethanol volume and price, as well as commercial sale of soil conditioner.



OPERATING RESULTS ANALYSIS

REVENUE:

| Description | Year 2023 | | Year 2022 | | Increase (Decrease) | |
|--|-----------------|---------------|-----------------|---------------|---------------------|---------------|
| | Baht Million | % | Baht Million | % | Baht Million | % |
| 3rd quarter (July – September) | | | | | | |
| Sales Revenue | 507.75 | 99.45 | 549.15 | 99.92 | (41.40) | (7.54) |
| Other Revenue | 2.80 | 0.55 | 0.46 | 0.08 | 2.34 | 508.70 |
| Total Revenue | 510.55 | 100.00 | 549.61 | 100.00 | (39.06) | (7.11) |
| 9-Months Period (January – September) | | | | | | |
| Sales Revenue | 2,065.41 | 98.53 | 1,512.48 | 99.95 | 552.93 | 36.56 |
| Other Revenue | 30.75 | 1.47 | 0.76 | 0.05 | 29.99 | N/A |
| Total Revenue | 2,096.16 | 100.00 | 1,513.24 | 100.00 | 582.92 | 38.52 |

(1) The Company's revenue in the 3rd quarter 2023 totaled Baht 510.55 million, which decreased from the same period last year by Baht 39.06 million or 7.11 percent, due to the following reasons.

(1.1) Revenue from sales decreased by Baht 41.40 million or 7.54 percent from the same period last year due to a decrease in ethanol sale volume by 10.49 percent, and;



(1.2) Other revenue increased from the same period last year by Baht 2.34 million or 508.70 percent due to revenue from sales of cassava residue.

(2) The Company's revenue in the first 9-months period of 2023 totaled Baht 2,096.16 million, which increased from the same period of last year by Baht 582.92 million or 38.52 percent, due to the following reasons.

(2.1) Revenue from sales increased from the same period of last year Baht 552.93 million or 36.56 percent due to the increase of ethanol sale volume and selling prices by 24.27 percent and 9.47 percent, respectively, as well as earning income from the commercial sale of soil conditioners, and;

(2.2) Other revenue increased from the same period of last year by Baht 29.99 million. Due to receiving penalty in case the counterparty fails to comply with the contract and insurance claims.

EXPENSES:

| Description | Year 2023 | | Year 2022 | | Increase (Decrease) | |
|--|-----------------|---------------|-----------------|---------------|---------------------|---------------|
| | Baht Million | % of Sales | Baht Million | % of Sales | Baht Million | % |
| 3rd quarter (July – September) | | | | | | |
| Cost of sales | 472.70 | 93.10 | 525.59 | 95.71 | (52.89) | (10.06) |
| Selling and administrative expense | 41.31 | 8.14 | 40.80 | 7.43 | 0.51 | 1.25 |
| Financial cost | 16.44 | 3.23 | 10.96 | 2.00 | 5.48 | 50.00 |
| (Revenue) income tax expenses | (4.05) | (0.80) | (4.93) | (0.90) | (0.88) | (17.85) |
| Total Expenses | 526.40 | 103.67 | 572.42 | 104.24 | (46.02) | (8.04) |
| 9-Months Period (January – September) | | | | | | |
| Cost of sales | 1,862.98 | 90.20 | 1,447.02 | 95.67 | 415.96 | 28.75 |
| Selling and administrative expense | 128.43 | 6.22 | 113.22 | 7.49 | 15.21 | 13.43 |
| Financial cost | 50.69 | 2.45 | 32.05 | 2.12 | 18.64 | 58.16 |
| (Revenue) income tax expenses | 10.76 | 0.52 | (13.94) | (0.92) | 27.70 | 177.19 |
| Total Expenses | 2,052.86 | 99.39 | 1,578.35 | 104.36 | 474.51 | 30.06 |

(1) The Company's expenses in the 3rd quarter 2023 totaled Baht 526.40 million, which decreased from the same period last year by Baht 46.02 million or 8.04 percent, due to the following reasons.

(1.1) Cost of sales decreased from the same period last year by Baht 52.89 million or 10.06 percent. This was due to the decrease of ethanol sale volume.

(1.2) Selling and administrative expenses increased from the same period last year by Baht 0.51 million or 1.25 percent. Due to the transportation cost of ethanol distribution has increased in line with higher car fuel prices.



(1.3) Financial cost increased by Baht 5.48 million or 50.00 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 revenue decreased by Baht 0.88 million or 17.85 percent from the same period last year due to the decrease of profit.

(2) The Company's expenses in the first 9-months period of 2023 totaled Baht 2,052.86 million, increased from the same period last year by Baht 474.51 million or 30.06 percent, due to the following reasons.

(2.1) Cost of sales increased from the same period last year by Baht 415.96 million or 28.75 percent due to the increase of ethanol sale volume.

(2.2) Selling and administrative expenses increased from the same period last year by Baht 15.21 million or 13.43 percent. This is because the transportation cost of ethanol distribution increases in line with the price of car fuel.

(2.3) Financial cost increased from the same period of last year by Baht 18.64 million or 58.16 percent. This is due to an increase in short-term loan and higher lending rates, and;

(2.4) Corporate Income tax expense increased by Baht 27.70 million or 177.19 percent from the same period last year due to the increase of profit.

GROSS PROFIT:

| Description | Year 2023 | | Year 2022 | |
|--|---------------|-------------|--------------|-------------|
| | Baht Million | % | Baht Million | % |
| 3rd quarter (July – September) | | | | |
| Revenues from sales | 507.75 | 100.00 | 549.15 | 100.00 |
| Less cost of sales | 472.70 | 93.10 | 525.59 | 95.71 |
| Gross Profit | 35.05 | 6.90 | 23.56 | 4.29 |
| 9-Months Period (January – September) | | | | |
| Revenues from sales | 2,065.41 | 100.00 | 1,512.48 | 100.00 |
| Less cost of sales | 1,862.98 | 92.20 | 1,447.02 | 95.67 |
| Gross Profit | 202.43 | 9.80 | 65.46 | 4.33 |

(1) The Company's gross profit in the 3rd quarter 2023 was Baht 35.05 million or 6.90 percent of the sales revenue, which increased from the same period last year which the gross profit of 4.29 percent of the sales revenue. This was due to the sale price of ethanol increased by 3.50 percent.

(2) The Company's gross profit in the first 9-months period of 2023 was Baht 202.43 million, or 9.80 percent of the revenue from sales, which increased from the same period of last year which the gross profit of 4.33 percent of the sales revenue. This was due to the sale price of ethanol increased by 9.47 percent.



NET LOSS:

| Description | Unit | Year 2023 | Year 2022 | Increase/ (Decrease) | % |
|--|----------------|-----------|-----------|-------------------------|---------|
| 3rd quarter (July-September) | | | | | |
| NET LOSS | Baht Million | (15.85) | (22.81) | (6.96) | (30.51) |
| NET LOSS PER SHARE | Baht per Share | (0.016) | (0.023) | (0.007) | (30.43) |
| 9-Months Period (January – September) | | | | | |
| NET(LOSS) PROFIT | Baht Million | 43.30 | (65.11) | 108.41 | 166.50 |
| NET(LOSS) PROFIT PER SHARE | Baht per Share | 0.043 | (0.065) | 0.108 | 166.15 |
| Remark Registered par value of Baht 1 per share | | | | | |

(1) The Company's net loss in the 3rd quarter of 2023 was Baht 15.85 million, decreased from the same period last year by Baht 6.96 million or 30.51 percent, generating a net loss at Baht 0.016 per share which decreased from the same period last year by Baht 0.007 per share, due to the reasons as described above.

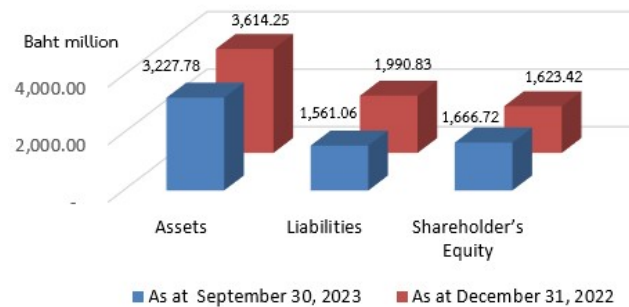
(2) The Company's net profit in the first 9-months period of 2023 was Baht 43.30 million which increased from the same period last year by Baht 108.41 million or 166.50 percent, which accounts for net profit of Baht 0.043 per share. When compared with the same period last year, the net profit increased by Baht 0.108 per share. The reason is as described above.

STATEMENT OF FINANCIAL POSITION

| Description | Unit | As at September 30, 2023 | As at December 31, 2022 | Increase (Decrease) | % |
|---|----------------|--------------------------------|-------------------------------|------------------------|---------|
| Total Assets | Baht Million | 3,227.78 | 3,614.25 | (386.47) | (10.69) |
| Total Liabilities | Baht Million | 1,561.06 | 1,990.83 | (429.77) | (21.59) |
| Total Shareholder's Equity | Baht Million | 1,666.72 | 1,623.42 | 43.30 | 2.67 |
| Book Value | Baht per Share | 1.67 | 1.62 | 0.05 | 3.09 |
| Remark: Registered per value of Baht 1 per share | | | | | |



STATEMENT OF FINANCIAL POSITION



ASSETS: The Company's total assets as at September 30, 2023 decreased from the end of year 2022 by Baht 386.47 million or 10.69 percent. The total assets consisting of:

1. Current assets decreased from the end of 2022 by Baht 319.80 million or 34.63 percent, consisting of: (A) Cash and cash equivalent increased by Baht 16.04 million or 73.11 percent; (B) Trade accounts receivable and other receivables decreased by Baht 36.45 million or 19.64 percent; (C) Inventories, most of which were molasses, increased by Baht 245.73 million or 161.81 percent; (D) Advances payment for purchase goods decreased by Baht 531.47 million or 98.36 percent, and (E) Another current assets decreased by Baht 13.65 million or 57.72 percent.

2. Non-current assets decreased from the end of year 2022 by Baht 66.67 million or 2.48 percent, consisting of: (A) Biological assets increased by Baht 3.17 million or 20.90 percent; (B) Land, plant and equipment decreased by Baht 53.61 million or 2.04 percent; (C) Right-of-use assets decreased by Baht 5.39 million or 30.43 percent, and (D) Another non-current assets most of which were deferred tax assets decreased by Baht 10.84 million or 31.58 percent.

LIABILITIES: The Company's Total Liabilities as at September 30, 2023 decreased from the end of year 2022 totaled 429.77 million or 21.59 percent, consisting of: (A) Short-term loan which was for raw material supply and for working capital, decreased by Baht 288.20 million or 22.10 percent. (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, increased by Baht 24.99 million or 31.73 percent. (C) Long-term loan decreased by Baht 171.79 million or 30.02 percent, and (D) Other liabilities, mainly undue expenses and liabilities under lease agreement increased by Baht 5.23 million or 14.54 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at September 30, 2023 increased from the end of year 2022 by Baht 43.30 million or 2.67 percent, due to the profit as described above.



CASH FLOWS

| Description | Unit | First 9 months period (January – September) | |
|--|---------------------|---|--------------|
| | | Year 2023 | Year 2022 |
| Cash Flows from Operating Activities | Baht Million | 561.47 | 180.83 |
| Cash Flows used in Investing Activities | Baht Million | (79.46) | (61.46) |
| Cash Flows from Financing Activities | Baht Million | (465.97) | (132.67) |
| Net increase (decrease) in cash and cash equivalent | Baht Million | 16.04 | (13.30) |
| Cash and cash equivalent at the beginning of the period | Baht Million | 21.94 | 36.74 |
| Cash and Cash Equivalent at the End of the Period | Baht Million | 37.98 | 23.44 |

(1) The Company's net cash from operating activities in the first 9-months period of 2023 totaled Baht 561.47 million, consisting of: (A) Profit before corporate income tax of Baht 54.06 million; (B) Non-cash items such as depreciation; Baht 188.77 million.(C) The operating assets decreased by Baht 335.86 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 31.54 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 49.97 million.

(2) The Company's net cash used in investment activities in the first 9-months period of 2023 totaled Baht 79.46 million, consisting of: (A) The cost of industrial crops planting of Baht 3.17 million and (B) Assets purchasing by Baht 76.29 million.

(3) The Company's net cash from financing activities in the first 9-months period of 2023 totaled Baht 465.97 million consisting of: (A) Repayment of short-term loan of Baht 288.61 million, (B) Repayment of long-term loan by Baht 172 million and (C) Repayment under financial lease at Baht 5.36 million.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at September 30, 2023 were 0.45 times and 0.14 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 September 30, 2023 was 0.94:1 times.



(3) The cash cycle of the Company in the first 9-months period of 2023 was 21.96 days, which decreased from the end of year 2022 by 6.44 days. The average debt collection period was at 22.81 days, which decreased from the end of year 2022 by 9.76 days. The average inventory turnover was at 9.83 days, which increased from the end of year 2022 by 3.85 days, and the average debt repayment period was at 10.68 days, increased from the end of year 2022 by 0.53 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, 2023 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 September 28, 2023.

(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

Ministry of Energy is considering amending the law to regulate the marketing fee of all types of gasoline in order to regulate the retail price of gasoline to have a reasonable market value. In addition, domestic energy demand is expected to improve from the tourism sector. As a result, demand for ethanol is expected to rise in the 4th quarter. In addition, in 2023, the Company will continue to sell soil conditioner until the 4th quarter, which will result in additional revenue for the Company.

As for the amount of raw materials used in production, the amount of molasses in the country is not enough to meet the domestic demand and the price is high. The Company still plans to use imported molasses as well as cassava to be able to produce and distribute ethanol as planned.