



THAI AGRO ENERGY PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FINANCIAL STATEMENTS OF YEAR 2023



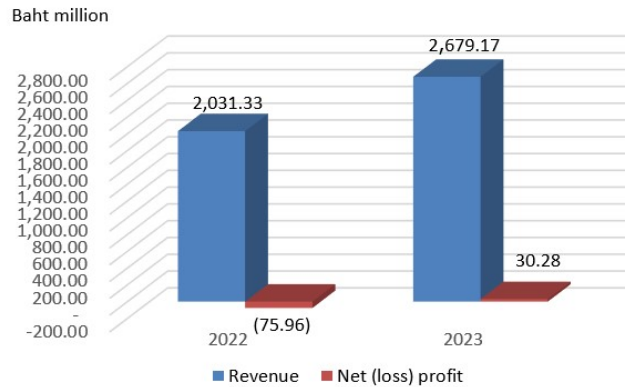
MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of Year 2023)

OVERALL OPERATING RESULTS

The overall operating results of the Company in 2023, the Company has total revenue of Baht 2,679.17 million and net profit of Baht 30.28 million, which increased from the same period last year by 31.89 percent and 139.86 percent, respectively, due to an increase in ethanol sales volume and price, as well as commercial sale of soil conditioner.

Revenue and net profit comparison for the year 2022 and 2023



OPERATING RESULTS ANALYSIS

REVENUE:

Description	Year 2023		Year 2022		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
Sales Revenue	2,644.78	98.72	2,029.74	99.92	615.04	30.30
Other Revenue	34.39	1.28	1.59	0.08	32.80	N/A
Total Revenue	2,679.17	100.00	2,031.33	100.00	647.84	31.89

The Company's revenue in year 2023 totaled Baht 2,679.17 million, which increased from the previous year by Baht 647.84 million or 31.89 percent, due to the following reasons.

1. Revenue from sales increased from the previous year by Baht 615.04 million or 30.30 percent with the revenue from ethanol sales increased by Baht 599.92 million due to ethanol sales volume and price increased by 20.83 percent and 7.54 percent, respectively, and revenue from sales of soil conditioner increased by Baht 15.12 million due to a 63.41 percent increase in sales volume of soil conditioner and,



2. Other revenue increased by Baht 32.80 million due to receipt of penalty in case the parties fail to perform the contract, insurance claims and income from the cassava chip residue.

EXPENSES:

Description	Year 2023		Year 2022		Increase (Decrease)	
	Baht Million	% Sales	Baht Million	% Sales	Baht Million	%
Cost of sales	2,414.48	91.29	1,928.64	95.02	485.84	25.19
Selling and administrative expenses	158.55	6.00	148.30	7.31	10.25	6.91
Financial cost	68.13	2.58	45.14	2.22	22.99	50.93
Income tax revenue	7.73	0.29	(14.79)	(0.73)	22.52	152.27
Total Expenses	2,648.89	100.16	2,107.29	103.82	541.60	25.70

The Company's expenses in year 2023 totaled Baht 2,648.89 million, which increased from the previous year by Baht 541.60 million or 25.70 percent, due to the following reasons;

1. Cost of sales increased from the previous year by Baht 485.84 million or 25.19 percent. This was due to the increase in the sales volume and cost of ethanol production.

2. Selling and administrative expenses increased from the previous year by Baht 10.25 million or 6.91 percent. Due to the freight cost of ethanol distribution has increased in line with higher car fuel prices.

3. Financial cost increased from the previous year by Baht 22.99 million or 50.93 percent. This was due to higher lending rates.

4. Income tax revenue increased from the previous year by Baht 22.52 million or 152.27 percent. This was due to a decrease in deferred tax revenue.

GROSS PROFIT:

Description	Year 2023		Year 2022	
	Baht Million	%	Baht Million	%
Revenues from sales	2,644.78	100.00	2,029.74	100.00
Less cost of sales	2,414.48	91.29	1,928.64	95.02
Gross Profit	230.30	8.71	101.10	4.98

The Company's gross profit of year 2023 was Baht 230.30 million, or 8.71 percent of the revenue from sales, increased from the previous year which the gross profit was 4.98 percent of the revenue from sales due to ethanol sales volume and selling prices increased by 20.83 percent and 7.54 percent, respectively.



NET PROFIT:

Description	Unit	Year 2023	Year 2022	Increase/ (Decrease)	%
NET PROFIT (LOSS)	Baht Million	30.28	(75.96)	106.24	139.86
NET PROFIT (LOSS) PER SHARE	Baht per Share	0.030	(0.076)	0.106	139.47

Remark Registered par value of Baht 1 per share

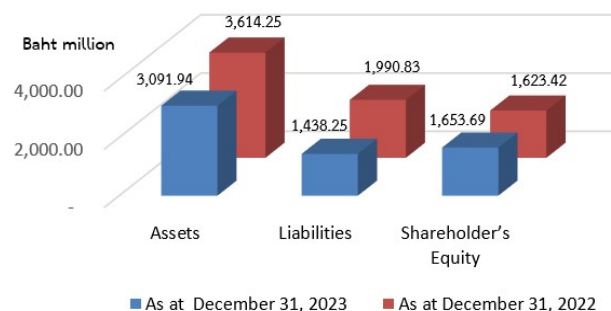
The Company's net profit of year 2023 was Baht 30.28 million increased from the previous year by Baht 106.24 million or 139.86 percent, generating a net profit at Baht 0.030 per share which increased from the previous year by Baht 0.106 per share due to the reasons as described above.

STATEMENT OF FINANCIAL POSITION

Description	Unit	As at December 31, 2023	As at December 31, 2022	Increase (Decrease)	%
Total Assets	Baht Million	3,091.94	3,614.24	(522.30)	(14.45)
Total Liabilities	Baht Million	1,438.25	1,990.83	(552.58)	(27.76)
Total Shareholder's Equity	Baht Million	1,653.69	1,623.41	30.28	1.87
Book Value	Baht per Share	1.65	1.62	0.03	1.85

Remark: Registered per value of Baht 1 per share

STATEMENT OF FINANCIAL POSITION



ASSETS: The Company's total assets as at December 31, 2023 decreased from the end of year 2022 by Baht 522.30 million or 14.45 percent. The total assets consisting of:

1. Current Assets decreased from the end of 2022 by Baht 435.56 million or 47.17 percent, consisting of: (A) Cash and cash equivalent increased by Baht 25.19 million or 114.81 percent; (B) Trade accounts receivable and other receivables decreased by Baht 6.76 million or 3.64 percent;



(C) Inventories, most of which were cassava chip, increased by Baht 65.63 million or 43.22 percent;
 (D) Advances payment for purchase goods decreased by Baht 505.33 million or 93.52 percent, and
 (E) Another current assets decreased by Baht 14.29 million or 60.45 percent.

2. Non-Current Assets decreased from the end of year 2022 by Baht 86.74 million or 3.22 percent, consisting of: (A) Biological assets increased by Baht 3.80 million or 25.05 percent; (B) Land, plant and equipment decreased by Baht 85.37 million or 3.25 percent; (C) Right-of-use assets increased by Baht 2.78 million or 15.70 percent, and (D) Another non-current assets most of which were deferred tax assets decreased by Baht 7.95 million or 23.16 percent.

LIABILITIES: The Company's total liabilities as at December 31, 2023 decreased from the end of year 2022 by Baht 552.58 million or 27.76 percent, due to (A) Short-term loan from financial institution which was for raw material supply and for working capital, decreased by Baht 319.36 million or 24.49 percent (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, decreased by Baht 9.59 million or 12.18 percent, (C) Long-term loan decreased by Baht 243.73 million or 42.60 percent, and (D) Other liabilities, which are mainly expenses that are not yet due for payment and liabilities under lease agreements, increased by Baht 20.10 million or 55.88 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at December 31, 2023 increased from the end of year 2022 by Baht 30.28 million or 1.87 percent, due to the profit as described above.

CASH FLOWS

Description	Unit	Year 2023	Year 2022
Cash Flows from (used in) Operating Activities	Baht Million	690.86	(217.34)
Cash Flows used in Investing Activities	Baht Million	(94.45)	(86.29)
Cash Flows from (used in) Financing Activities	Baht Million	(571.22)	288.83
Net increase (decrease) in cash and cash equivalent	Baht Million	25.19	(14.80)
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	47.13	21.94

1. The Company's net cash used in operating activities in year 2023 was Baht 690.86 million, consisting of: (A) Profit before corporate income tax of Baht 38.01 million; (B) Non-cash items such as depreciation of Baht 253.56 million; (C) The operating assets decreased by Baht 460.74 million due to the decrease in trade and other receivables, inventories and advance payments for purchase of goods and other current assets; (D) The operating liabilities increased by Baht 4.23 million due to the



increase in trade accounts payable, other accounts payable and other current liabilities; (E) An interest received of Baht 1.28 million; and (F) An interest expense of Baht 66.96 million.

2. The Company's net cash used in investment activities in year 2023 was Baht 94.45 million, consisting of: (A) The cost of industrial crops planting of Baht 3.80 million; and (B) Assets purchasing by Baht 90.65 million.

3. The Company's net cash from financing activities in year 2023 was Baht 571.22 million consisting of: (A) Repayment of short-term loan from financial institution of Baht 319.96 million, (B) Repayment of long-term loan of Baht 244.00 million and (C) Repayment under financial lease of Baht 7.26 million.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at December 31, 2023 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 in the future project with good support from financial institution.

(2) The total debt to equity ratio of the Company as at December 31, 2023 was 0.87:1 times.

(3) The cash cycle of the Company in year 2023 was 23.79 days, which decreased from the end of year 2022 by 4.61 days. The average debt collection period was 24.30 days, which decreased from the end of year 2022 by 8.27 days. The average inventory turnover was 7.14 days, which increased from the end of year 2022 by 1.16 days, and the average debt repayment period was 7.65 days, which decreased from the end of year 2022 by 2.50 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 December 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 November 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

Ethanol demand in 2024 is likely to remain stable as a result of the government's removal of compensation for oil fund for gasohol E20 and E85 since November 24th, 2022. However, the amount of ethanol demand still depends on the clarity of the biofuel support policy of the Alternative Energy Development Plan (AEDP) and the Fuel Management Plan (Oil Plan). That is a part of the National Energy Plan, which is expected to be completed by 2024.

In addition, in 2024, the Company has a plan to continuously sell soil conditioners, which will result in the Company having another way to increase revenue. For the amount of raw materials used in production, in the production year 2023/24, it is expected that the amount of sugar cane crushed and molasses will decrease by more than 12 percent from 2022/23 due to drought conditions as a result of the El Niño, molasses prices have risen considerably. The Company therefore considers procuring molasses as far as it is necessary to make costs competitive by considering increasing the use of cassava chip as raw materials for ethanol production.
