



**THAI AGRO ENERGY PUBLIC COMPANY LIMITED**

**MANAGEMENT DISCUSSION AND ANALYSIS**

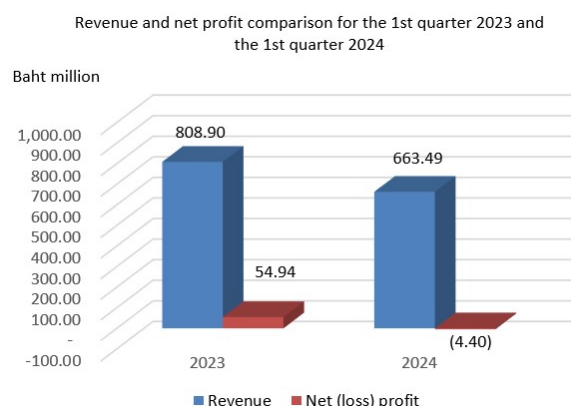
**FOR FINANCIAL STATEMENTS OF THE 1<sup>st</sup> QUARTER OF 2024**

## MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of the 1<sup>st</sup> Quarter of 2024)

### OVERALL OPERATING RESULTS

The Company's operating results in the 1<sup>st</sup> quarter of 2024 had a total revenue of Baht 663.49 million and a net loss of Baht 4.40 million, decreasing from the same period last year by 17.98 percent and 108.01 percent, respectively, due to the decrease of ethanol and soil conditioners sales volume including the damage caused by a fire broke out of raw materials stored in the Company's warehouse and is currently in the process of claiming compensation from the insurance company.



### OPERATING RESULTS ANALYSIS

#### REVENUE:

Description	1 <sup>st</sup> quarter 2024		1 <sup>st</sup> quarter 2023		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
Sales revenue	645.42	97.28	781.50	96.61	(136.08)	(17.41)
Revenue from selling raw materials from a fire broke out	11.68	1.76	-	-	11.68	100.00
Other revenue	6.39	0.96	27.40	3.39	(21.01)	(76.68)
<b>Total revenue</b>	<b>663.49</b>	<b>100.00</b>	<b>808.90</b>	<b>100.00</b>	<b>(145.41)</b>	<b>(17.98)</b>

The Company had a total revenue of Baht 663.49 million in the 1<sup>st</sup> quarter 2024, which decreased from the same period last year by Baht 145.41 million or 17.98 percent, due to the following reasons.

1. Revenue from sales decreased by Baht 136.08 million or 17.41 percent, the revenue from selling ethanol decreased by Baht 127.87 million and revenue from selling soil conditioners decreased by Baht 8.21 million.
2. Revenue from selling raw materials remainder from a fire broke out by Baht 11.68 million and;

3. Other revenue decreased by Baht 21.01 million or 76.68 percent. Due to the same period last year, the Company received a penalty payment in case the contractual party was unable to comply with the contract and received compensation from insurance but there is no such revenue in the 1<sup>st</sup> quarter of 2024.

**EXPENSES:**

Description	1 <sup>st</sup> quarter 2024		1 <sup>st</sup> quarter 2023		Increase (Decrease)	
	Baht Million	% Sale	Baht Million	% Sale	Baht Million	%
Cost of sales	573.40	88.84	682.39	87.32	(108.99)	(15.97)
Sales and administrative expense	33.04	5.12	41.22	5.27	(8.18)	(19.84)
Damage from the fire broke out	44.97	6.97	-	-	44.97	100.00
Financial cost	17.37	2.69	17.06	2.19	0.31	1.82
(Revenue) income tax expenses	(0.89)	(0.14)	13.29	1.70	(14.18)	(106.70)
<b>Total Expenses</b>	<b>667.89</b>	<b>103.48</b>	<b>753.96</b>	<b>96.48</b>	<b>(86.07)</b>	<b>(11.42)</b>

The Company's expenses in the 1<sup>st</sup> quarter 2024 was Baht 667.89 million, decreased by Baht 86.07 million or 11.42 percent from the same period last year, due to the following reasons;

1. Cost of sales decreased by Baht 108.99 million or 15.97 percent. Due to the decrease of ethanol and soil conditioners sales volume.
2. Sales and administrative expenses decreased by Baht 8.18 million or 19.84 percent. Due to the freight cost of ethanol distribution has decreased in line with the decreased ethanol sales volume.
3. Damage form the fire broke out by Baht 44.97 million due to a fire broke out of the cassava chips which is a raw material for ethanol production and stored in the Company's warehouse. However, the Company is covered by all-risk insurance against such damage and is currently in the process of claiming compensation from the insurance company.
4. Financial costs increased by Baht 0.31 million or 1.82 percent. Due to the adjustment of loan interest rates and;
5. Income tax expenses decreased by Baht 14.18 million or 106.70 percent.

**GROSS PROFIT:**

Description	1 <sup>st</sup> quarter 2024		1 <sup>st</sup> quarter 2023	
	Baht Million	%	Baht Million	%
Revenues from Sales	645.42	100.00	781.50	100.00
<u>Less</u> Cost of Sales	573.40	88.84	682.39	87.32
<b>Gross Profit</b>	<b>72.02</b>	<b>11.16</b>	<b>99.11</b>	<b>12.68</b>

The Company's gross profit in the 1<sup>st</sup> quarter 2024 was Baht 72.02 million or 11.16 percent of the sales revenue, which decreased from the same period last year with the gross profit of 12.68 percent of the sales revenue. This was due to the sales volume of ethanol and soil conditioners decreased by 20.82 percent and 61.58 percent, respectively.

**NET PROFIT:**

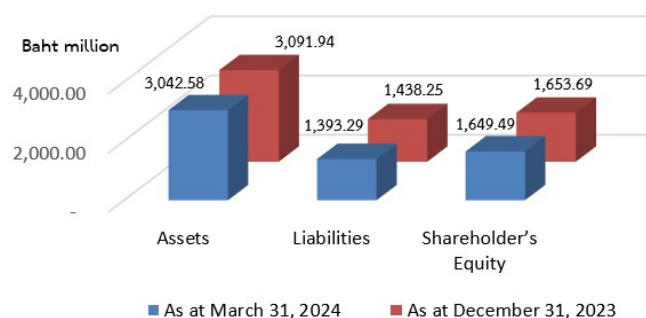
Description	Unit	1 <sup>st</sup> quarter 2024	1 <sup>st</sup> quarter 2023	Increase (Decrease)	%
NET PROFIT (LOSS)	Baht Million	(4.40)	54.94	(59.34)	(108.01)
NET PROFIT (LOSS) PER SHARE	Baht per Share	(0.004)	0.055	(0.059)	(107.27)
<u>Remark</u> Registered par value of Baht 1 per share					

The Company's net profit in the 1<sup>st</sup> quarter 2024 was Baht 4.40 million which decreased from the same period last year by Baht 59.34 million or 108.01 percent, which accounts for net loss of Baht 0.004 per share. When compared with the same period last year, the net profit decreased by Baht 0.059 per share. The reason is as described above.

**STATEMENT OF FINANCIAL POSITION**

FINANCIAL POSITION	Unit	As at March 31, 2024	As at December 31, 2023	Increase (Decrease)	%
Total Assets	Baht Million	3,042.58	3,091.94	(49.36)	(1.60)
Total Liabilities	Baht Million	1,393.29	1,438.25	(44.96)	(3.13)
Total Shareholder's Equity	Baht Million	1,649.29	1,653.69	(4.40)	(0.27)
<b>Book Value</b>	Baht per Share	<b>1.65</b>	<b>1.65</b>	-	-
<u>Remark:</u> Registered per value of Baht 1 per share					

## STATEMENT OF FINANCIAL POSITION



**ASSETS:** The Company's total assets as at March 31, 2024 increased from the end of year 2023 by Baht 49.36 million or 1.60 percent. The total assets consisting of:

1. Current assets decreased by Baht 13.53 million or 2.77 percent, consisting of: (A) Cash and cash equivalent decreased by Baht 7.01 million or 14.87 percent; (B) Trade accounts receivable and other receivables increased by Baht 10.66 million or 5.96 percent; (C) Inventories, most of which were cassava chips, increased by Baht 18.89 million or 8.69 percent; (D) Another current assets decreased by Baht 1.06 million or 11.34 percent, and (E) There is no advances payment for purchase goods in the 1<sup>st</sup> quarter of 2024.

2. Non-current assets decreased by Baht 35.83 million or 1.38 percent, consisting of: (A) Immovable property for investment increased by Baht 0.91 million or 100 percent; (B) Biological assets increased by Baht 1.13 million or 5.96 percent; (C) Land, plant and equipment decreased by Baht 36.40 million or 1.43 percent; (D) Right-of-use assets decreased by Baht 2.22 million or 10.83 percent, and (E) Another non-current assets most of which were deferred tax assets increased by Baht 0.75 million or 2.84 percent.

**LIABILITIES:** The Company's Total Liabilities as at March 31, 2024 decreased from the end of year 2023 totaled 44.96 million or 3.13 percent, consisting of: (A) Short-term loan which was for raw material supply and for working capital, increased by Baht 26.98 million or 2.74 percent (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, decreased by Baht 18.32 million or 26.49 percent. (C) Long-term loan decreased by Baht 49.94 million or 15.21 percent, and (D) Other liabilities, which are mainly expenses that are not yet due for payment and liabilities under lease agreements, decreased by Baht 3.68 million or 6.56 percent.

**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company as at March 31, 2024 decreased from the end of year 2023 by Baht 4.40 million or 0.27 percent, due to the loss as described above.

## CASH FLOWS

Cash Flows	Unit	1 <sup>st</sup> quarter 2024	1 <sup>st</sup> quarter 2023
Cash Flows from Operating Activities	Baht Million	30.54	25.35
Cash Flows used in Investing Activities	Baht Million	(12.42)	(53.59)
Cash Flows from (used in) Financing Activities	Baht Million	(25.13)	39.76
Net increase (decrease) in cash and cash equivalent	Baht Million	(7.01)	11.52
Cash and cash equivalent at the beginning of the period	Baht Million	47.13	21.94
<b>Cash and Cash Equivalent at the End of the Period</b>	<b>Baht Million</b>	<b>40.12</b>	<b>33.46</b>

1. The Company's net cash from operating activities in the 1<sup>st</sup> quarter 2024 totaled Baht 30.54 million, consisting of: (A) Loss before corporate income tax of Baht 5.29 million; (B) Non-cash items such as depreciation of Baht 88.12 million; (C) The operating assets increased by Baht 17.20 million due to the increase in trade and other receivables, inventories and advance payments for purchase of goods and other current assets; (D) The operating liabilities decreased by Baht 18.04 million due to the decrease in trade accounts payable, other accounts payable and other current liabilities; (E) An interest expense of Baht 17.05 million.

2. The Company's net cash used in investment activities in the 1<sup>st</sup> quarter 2024 totaled Baht 12.42 million, consisting of: (A) The cost of industrial crops planting of Baht 1.13 million; and (B) Assets purchasing by Baht 11.29 million.

3. The Company's net cash used in financing activities in the 1<sup>st</sup> quarter 2024 totaled Baht 25.13 million consisting of: (A) Received short-term loan from financial institution of Baht 26.83 million, (B) Repayment of long-term loan of Baht 50.00 million and (C) Repayment under financial lease of Baht 1.96 million.

## LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at March 31, 2024 were 0.39 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 March 31, 2024 was 0.84:1 times.

(3) The cash cycle of the Company in the 1<sup>st</sup> quarter 2024 was 33.16 days, which increased from the end of year 2023 by 9.37 days. The average debt collection period was at 26.22 days, which increased from the end of year 2023 by 1.92 days. The average inventory turnover was at 13.07 days, which increased from the end of year 2023 by 5.93 days, and the average debt repayment period was at 6.13 days, decreased from the end of year 2023 by 1.52 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, 2024, 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**

Demand for ethanol in the 2<sup>nd</sup> quarter of 2024 is likely to increase from the 1<sup>st</sup> quarter of 2024 due to increased domestic demand. As for the situation of sugar cane being pressed and molasses in the 2023/24 production season, it was found that the amount of molasses was approximately 6 percent higher than in the previous production season, but the selling price was still at a high level, resulting in the cost of producing ethanol from molasses. This is higher than the cost of production from cassava. Therefore, the Company considers using cassava as the main raw material for producing ethanol.

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