



THAI AGRO ENERGY PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FINANCIAL STATEMENTS OF THE 2nd QUARTER 2021



MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of the 2nd Quarter 2021)

OVERALL OPERATING RESULTS

The Company had total revenue in the 2nd quarter 2021 and the first 6-month period of 2021 of Baht 583.39 million and Baht 1,266.43 million, which increased from the same period last year by 14.50 percent and 1.47 percent, respectively due to the increase of ethanol selling price from the same period last year by 12.31 percent and 15.58 percent, respectively. However, due to the Covid-19 pandemic, affected the decrease of ethanol demand, then the sales volume decreased accordingly. In addition, the drought affected the price of molasses, the main raw material, to increase from the same period last year by 27.28 percent. As a result, the Company's operating results in the 2nd quarter 2021 resulted in a net loss of Baht 42.86 million or generating a net loss at Baht 0.04 per share, which decreased from the same period last year by 84.51 percent. However, the Company had net profit in the first 6-month period of 2021 of Baht 14.09 million with net profit per share of Baht 0.01, which decreased from the same period last year by 88.89 percent.

OPERATING RESULTS ANALYSIS

REVENUE:

Description	Year 2021		Year 2020		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
2nd quarter (April – June)						
Sales Revenue	582.89	99.92	509.04	99.91	73.85	14.51
Other Revenue	0.49	0.08	0.47	0.09	0.02	4.26
Financial Income	0.01	-	0.01	-	-	-
Total Revenue	583.39	100.00	509.52	100.00	73.87	14.50
6-Month Period (January – June)						
Sales Revenue	1,265.92	99.96	1,247.10	99.92	18.82	1.51
Other Revenue	0.49	0.04	1.01	0.08	(0.52)	(51.49)
Financial Income	0.02	-	0.03	-	(0.01)	(33.33)
Total Revenue	1,266.43	100.00	1,248.14	100.00	18.29	1.47



(1) The Company's total revenue in the 2nd quarter 2021 was Baht 583.39 million, which increased from the same period last year by Baht 73.87 million or 14.50 percent, due to the following reasons.

(1.1) Revenue from ethanol sales increased by Baht 73.85 million or 14.51 percent from the same period last year due to the increase in ethanol selling price.

(1.2) Other revenue increased by Baht 0.02 million or 4.26 percent from the same period last year.

(2) The Company's revenue in the first 6-month period of 2021 was Baht 1,266.43 million, which increased from the same period of last year by Baht 18.29 million or 1.47 percent, due to the following reasons.

(2.1) Revenue from ethanol sales increased from the same period of last year Baht 18.82 million or 1.51 percent due to the increase of ethanol selling price by 15.58 percent, although the ethanol sales volume decreased by 11.37 percent.

(2.2) Other revenue decreased from the same period of last year by Baht 0.52 million or 51.49 percent. This was due to the decrease of income from the sales of fusel oil.

(2.3) Financial income decreased from the same period last year by Baht 0.01 million or 33.33 percent.

EXPENSES:

Description	Year 2021		Year 2020		Increase (Decrease)	
	Baht Million	% of Sales	Baht Million	% of Sales	Baht Million	%
2nd quarter (April – June)						
Cost of sales	601.19	103.14	453.40	89.07	147.79	32.60
Selling and administrative expense	22.24	3.82	27.64	5.43	(5.40)	(19.54)
Financial cost	9.73	1.67	10.58	2.08	(0.85)	(8.03)
Corporate income tax	(6.91)	(1.19)	10.59	2.08	(17.50)	(165.25)
Total Expenses	626.25	107.44	502.21	98.66	124.04	24.70
6-Month Period (January – June)						
Cost of sales	1,190.95	94.08	1,074.80	86.18	116.15	10.81
Selling and administrative expense	43.07	3.40	47.03	3.77	(3.96)	(8.42)
Financial cost	18.61	1.47	22.82	1.83	(4.21)	(18.45)
Corporate Income tax	(0.29)	(0.02)	12.52	1.00	(12.81)	(102.32)
Total Expenses	1,252.34	98.93	1,157.17	92.78	95.17	8.22



(1) The Company's expenses in the 2nd quarter 2021 to was Baht 626.25 million, which increased from the same period last year by Baht 124.04 million or 24.70 percent, due to the following reasons;

(1.1) Cost of ethanol sales increased by Baht 147.79 million or 32.60 percent from the same period last year. This was due to an increase in price of molasses which is main raw material of 33.26 percent from the same period last year as described above.

(1.2) Selling and administrative expenses decreased by Baht 5.40 million or 19.54 percent from the same period last year. This was due to decreases in the annual remuneration of the Board of Directors.

(1.3) Financial cost decreased by Baht 0.85 million or 8.03 percent from the same period last year. This was due to due to the repayment of long-term loan, and;

(1.4) Corporate income tax decreased by Baht 17.50 million or 165.25 percent from the same period last year due to the decrease of net profit as described above.

(2) The Company's expenses in the first 6-month period of 2021 was Baht 1,252.34 million, which increased from the same period last year by Baht 95.17 million or 8.22 percent, due to the following reasons.

(2.1) Cost of ethanol sales increased by Baht 116.15 million or 10.81 percent from the same period last year. This was due to the price of molasses, the main raw material, increased from the same period last year by 27.28 percent as mentioned above.

(2.2) Selling and administrative expenses decreased by Baht 3.96 million or 8.42 percent from the same period last year. This was due to decreases in the annual remuneration of the Board of Directors.

(2.3) Financial cost decreased by Baht 4.21 million or 18.45 percent from the same period of last year. This was due to due to the repayment of long-term loan, and;

(2.4) Corporate Income tax expense decreased by Baht 12.81 million or 102.32 percent from the same period last year due to the decrease of net profit as described above.



GROSS PROFIT:

Description	Year 2021		Year 2020	
	Baht Million	%	Baht Million	%
2nd quarter (April – June)				
Revenues from sales	582.89	100.00	509.04	100.00
Less cost of sales	601.19	103.14	453.40	89.07
Gross Profit (Loss)	(18.30)	(3.14)	55.64	10.93
6-Month Period (January – June)				
Revenues from sales	1,265.92	100.00	1,247.10	100.00
Less cost of sales	1,190.95	94.08	1,074.80	86.18
Gross Profit	74.97	5.92	172.30	13.82

(1) The Company's gross loss in the 2nd quarter of 2021 was Baht 18.30 million, or 3.14 percent of the revenue from sales, which decreased from the same period of last year which the gross profit was 55.64 million or 10.93 percent of the revenue from sales. This was due to the price of molasses, the main raw material, increased from the same period last year by 33.26 percent.

(2) The Company's gross profit in the first 6-month period of 2021 was Baht 74.97 million, or 5.92 percent of the revenue from sales, which decreased from the same period of last year which the gross profit was 172.30 million or 13.82 percent of the revenue from sales. This was due to the price of molasses, the main raw material, increased from the same period last year by 27.28 percent.

NET PROFIT:

Description	Unit	Year 2021	Year 2020	Increase/ (Decrease)	%
2nd quarter (April – June)					
NET PROFIT (LOSS)	Baht Million	(42.86)	7.31	(50.17)	(686.32)
NET PROFIT (LOSS) PER SHARE	Baht per Share	(0.04)	0.01	(0.05)	(500.00)
6-Month Period (January – June)					
NET PROFIT (LOSS)	Baht Million	14.09	90.97	(76.88)	(84.51)
NET PROFIT (LOSS) PER SHARE	Baht per Share	0.01	0.09	(0.08)	(88.89)
Remark Registered par value of Baht 1 per share					

(1) The Company's net loss in the 2nd quarter of 2021 was Baht 42.86 million, decreased from the same period last year by Baht 50.17 million, generating a net loss at Baht 0.04 per share which decreased from the same period last year by Baht 0.05 per share, due to the reasons as described above.



(2) The Company's net profit in the first 6-month period of 2021 was Baht 14.09 million. decreased from the same period last year by Baht 76.88 million, generating a net earnings at Baht 0.01 per share which decreased from the same period last year by Baht 0.08 per share, due to the reasons as described above.

STATEMENT OF FINANCIAL POSITION

FINANCIAL POSITION	Unit	As at June 30, 2021	As at December 31, 2020	Increase (Decrease)	%
Total Assets	Baht Million	3,546.89	3,357.97	188.92	5.63
Total Liabilities	Baht Million	1,759.10	1,559.28	199.82	12.81
Total Shareholder's Equity	Baht Million	1,787.79	1,798.69	(10.90)	(0.61)
Book Value	Baht per Share	1.79	1.80	(0.01)	(0.56)
Remark: Registered per value of Baht 1 per share					

ASSETS: The Company's total assets as at June 30, 2021 increased from the end of year 2020 by Baht 188.92 million or 5.63 percent, due to the following reasons;

(1) Current Assets increased from the end of 2020 by Baht 211.73 million or 40.18 percent, due to (A) Cash and cash equivalent increased by Baht 2.07 million or 7.81 percent; (B) Trade accounts receivable and other receivables increased by Baht 62.82 million or 35.08 percent; (C) Inventories increased by Baht 218.85 million or 175.70 percent, most of which were molasses; (D) Advances payment for purchase goods decreased by Baht 65.43 million or 36.11 percent, and (E) Another current assets decreased by Baht 6.58 million or 41.64 percent.

(2) Non-Current Assets decreased from the end of year 2020 by Baht 22.81 million or 0.81 percent, consisting of: (A) Biological assets increased by Baht 3.09 million or 47.83 percent; (B) Land, plant and equipment decreased by Baht 21.92 million or 0.79 percent; and (C) Right-of-use assets decreased by Baht 3.98 million or 11.95 percent.

LIABILITIES : The Company's total liabilities as at June 30, 2021 increased from the end of year 2020 by Baht 199.82 million or 12.81 percent, due to (A) Trade accounts payable and other accounts payable, most of which were raw material purchase, decreased by Baht 35.81 million or 28.68 percent, (B) Short-term and long-term loans which were for raw material supply and for working capital, increased by Baht 306.98 million or 28.98 percent.(C) Long-term loan decreased by Baht 71.92 million or 22.73 percent, and (D) Other liabilities which most were liabilities under lease agreement increased by Baht 0.57 million or 0.97 percent.



TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at June 30, 2021 decreased from the end of year 2020 by Baht 10.90 million or 0.61 percent, resulting in a decrease of the share's book value from Baht 1.80 per share to Baht 1.79 per share due to a decrease of net profit as described above.

CASH FLOWS

Description	First six months period (January – June)	
	Year 2021	Year 2020
Cash Flows from (used in)Operating Activities	(145.56)	434.39
Cash Flows from (used in)Investing Activities	(58.89)	(60.74)
Cash Flows from (used in)Financing Activities	206.52	(373.26)
Net Increase (Decrease) in Cash	2.07	0.39
Cash at the Beginning of the Period	26.50	25.44
Cash at the End of the Period	28.57	25.83

(1) The Company's net cash used in operating activities in the first 6-month period of 2021 was Baht 145.56 million, consisting of: (A) Profit before corporate income tax of Baht 13.80 million; (B) Non-cash items such as depreciation of Baht 110.02 million; (C) The operating assets increased by Baht 215.95 million due to an increase in trade and other receivables and inventories and advance payments for purchase of goods; (D) The operating liabilities decreased by Baht 37.78 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 15.67 million.

(2) The Company's net cash used in investment activities in the first 6-month period of 2021 was Baht 58.89 million, consisting of : (A) The cost of industrial crops planting of Baht 3.10 million; and (B) Assets purchasing by Baht 55.79 million.

(3) The Company's net cash used in financing activities in the first 6-month period of 2021 was Baht 206.52 million consisting of : (A) Receiving of short-term loan by Baht 306.98 million; (B) Repayment of long-term loan by Baht 72 million, (C) Repayment under financial lease of Baht 3.75 million, and (D) Dividend payment of Baht 24.71 million.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at June 30, 2021 were 0.50 times and 0.18 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, 2021 was 0.98:1 times.

(3) The cash cycle of the Company in the first 6-month period of 2021 was 26.24 days, which increased from the end of year 2020 by 12.41 days. The average debt collection period was 29.90 days, which increased from the end of year 2020 by 2.88 days. The average inventory turnover was at 9.61 days, which increased from the end of year 2020 by 4.06 days, and the average debt repayment period was at 13.27 days, which decreased from the end of year 2020 by 5.47 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 time throughout the duration of loan agreement. So far, the Company has been able to maintain the D/E and DSCR ratio as required by the contractual obligation of the loan without any default.

(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

Due to the Covid-19 pandemic, in the first six months of this year and in the future, is expected to intensify. As a result, the government must take measures to control the epidemic with travel controls, such as promoting work from home, limiting time away from housing, and controlling public transport. These measures affect to the decreases of fuel demand and ethanol demand as a mixture of fuel. Combined, there is a higher competition between entrepreneurs. At the same time, the amount of the main raw materials used in ethanol production, which are agricultural crops, will continue to be scarce due to drought and fluctuating prices according to the market demand mechanism from 2020. Therefore, the Company has turned to improving the ethanol production system to be able to use more raw materials. At the same time, the Company seeks to reduce



production costs, especially energy by focusing on saving energy and producing energy for internal use, such as generating electricity using biogas, etc.

However, the Company remains focused on maintaining product quality and managing ethanol production costs effectively and efficiently to ensure the Company's good operating results in 2021 and able to pay a dividend to shareholders regularly aligning with the determined policy.
