



THAI AGRO ENERGY PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FINANCIAL STATEMENTS OF YEAR 2022



MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of Year 2022)

OVERALL OPERATING RESULTS

The overall operating results of the Company in 2022, the Company has total revenue of Baht 2,005.57 million, which decreased from the same period last year by 9.16 percent, resulted in a net loss in 2022 amounted to Baht 85.88 million, which increased from the same period last year by 47 percent. This is due to the main raw materials in the production of ethanol are scarce, and then the price of raw materials increased. This is coupled with a decrease in the ethanol sales volume by 14.09 percent in line with the decrease in raw material volume, although ethanol selling prices increased by 5.68 percent.

OPERATING RESULTS ANALYSIS

REVENUE:

Description	Year 2022		Year 2021		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
Sales Revenue	2,003.98	99.92	2,207.30	99.97	(203.32)	(9.21)
Other Revenue	1.59	0.08	0.59	0.03	1.00	169.49
Total Revenue	2,005.57	100.00	2,207.89	100.00	(202.32)	(9.16)

The Company's revenue in year 2022 totaled Baht 2,005.57 million, which decreased from the previous year by Baht 202.32 million or 9.16 percent, due to the following reasons.

1. Revenue from ethanol sales decreased from the previous year by Baht 203.32 million or 9.21 percent due to the sales volume decreased by 14.09 percent. This was affected by a shortage of raw materials, although ethanol prices increased by 5.68 percent; and

2. Other revenue increased by Baht 1 million or 169.49 percent from the previous year. Due to the increase in revenue from the sale of deteriorating property debris and the sale of fusel oil.



EXPENSES:

Description	Year 2022		Year 2021		Increase (Decrease)	
	Baht Million	% Sales	Baht Million	% Sales	Baht Million	%
Cost of sales	1,917.95	95.71	2,142.49	97.06	(224.54)	(10.48)
Selling and administrative expenses	148.30	7.40	102.05	4.62	46.25	45.32
Financial cost	45.14	2.25	36.74	1.66	8.40	22.86
Income tax revenue	(19.94)	(1.00)	(14.97)	(0.67)	4.97	33.20
Total Expenses	2,091.45	104.36	2,266.31	102.67	(174.86)	(7.72)

The Company's expenses in year 2022 totaled Baht 2,091.45 million, which decreased from the previous year by Baht 174.86 million or 7.72 percent, due to the following reasons;

1. Cost of ethanol sales decreased from the previous year by Baht 224.54 million or 10.48 percent. This was due to decreases in ethanol sales volume as described above.
2. Selling and administrative expenses increased from the previous year by Baht 46.25 million or 45.32 percent. Due to raw material shortages, the Company considered temporarily discontinuing ethanol production line 1 since the 2nd quarter 2022, therefore, operating expenses are transferred to sales and administrative expenses.
3. Financial cost increased from the previous year by Baht 8.40 million or 22.86 percent. This was due to the increase of short-term loan and loan interest rates are rising.
4. Income tax revenue increased from the previous year by Baht 4.97 million or 33.20 percent due to the decrease of profit.

GROSS PROFIT:

Description	Year 2022		Year 2021	
	Baht Million	%	Baht Million	%
Revenues from sales	2,003.98	100.00	2,207.30	100.00
Less cost of sales	1,917.95	95.71	2,142.49	97.06
Gross Profit	86.03	4.29	64.81	2.94

The Company's gross profit of year 2022 was Baht 86.03 million, or 4.29 percent of the revenue from sales, increased from the previous year which the gross profit was 2.94 percent of the revenue from sales as the price of ethanol sales increases by 5.68 percent.



NET LOSS:

Description	Unit	Year 2022	Year 2021	Increase/ (Decrease)	%
NET LOSS	Baht Million	(85.88)	(58.42)	27.46	47.00
NET LOSS PER SHARE	Baht per Share	(0.09)	(0.06)	0.03	50.00
Remark Registered par value of Baht 1 per share					

The Company's net loss of year 2022 was Baht 85.88 million increased from the previous year by Baht 27.46 million or 47 percent, generating a net loss at Baht 0.09 per share which increased from the previous year by Baht 0.03 per share due to the reasons as described above.

STATEMENT OF FINANCIAL POSITION

Description	Unit	As at December 31, 2022	As at December 31, 2021	Increase (Decrease)	%
Total Assets	Baht Million	3,608.41	3,398.24	210.17	6.18
Total Liabilities	Baht Million	1,990.83	1,692.96	297.87	17.59
Total Shareholder's Equity	Baht Million	1,617.58	1,705.28	(87.70)	(5.14)
Book Value	Baht per Share	1.62	1.71	(0.09)	(5.26)
Remark: Registered per value of Baht 1 per share					

STATEMENT OF FINANCIAL POSITION



ASSETS: The Company's total assets as at December 31, 2022 increased from the end of year 2021 by Baht 210.17 million or 6.18 percent. The total assets consisting of:

1. Current Assets increased from the end of 2021 by Baht 278.25 million or 43.71 percent, consisting of: (A) Cash and cash equivalent decreased by Baht 14.80 million or 40.28 percent; (B) Trade accounts receivable and other receivables decreased by Baht 12.28 million or 6.20 percent;



(C) Inventories, most of which were molasses, increased by Baht 38.79 million or 37.10 percent; (D) Advances payment for purchase goods increased by Baht 253.37 million or 88.29 percent, and (E) Another current assets increased by Baht 13.17 million or 125.79 percent.

2. Non-Current Assets decreased from the end of year 2021 by Baht 68.08 million or 2.47 percent, consisting of: (A) Biological assets increased by Baht 3.59 million or 31 percent; (B) Land, plant and equipment decreased by Baht 84.25 million or 3.12 percent; (C) Right-of-use assets decreased by Baht 7.56 million or 29.92 percent, and (D) Another non-current assets most of which were deferred tax assets increased by Baht 20.14 million or 88.57 percent.

LIABILITIES: The Company's total liabilities as at December 31, 2022 increased from the end of year 2021 by Baht 297.87 million or 17.59 percent, due to (A) Short-term loan from financial institution which was for raw material supply and for working capital, increased by Baht 540.34 million or 70.76 percent (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, increased by Baht 10.96 million or 16.17 percent, (C) Long-term loan decreased by Baht 243.70 million or 29.87 percent, and (D) Other liabilities most of which were liabilities under lease agreement decreased by Baht 9.73 million or 21.29 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at December 31, 2022 decreased from the end of year 2021 by Baht 87.70 million or 5.14 percent, due to the net loss as described above.

CASH FLOWS

Description	(Unit : Baht million)	
	Year 2022	Year 2021
Cash flows used in operating activities	(223.90)	(63.04)
Cash flows used in investing activities	(79.73)	(88.12)
Cash flows from financing activities	288.83	161.40
Net increase (decrease) in cash and cash equivalent	(14.80)	10.24
Cash and cash equivalent at the beginning of the period	36.74	26.50
Cash and Cash Equivalent at the End of the Period	21.94	36.74

1. The Company's net cash used in operating activities in year 2022 was Baht 223.90 million, consisting of: (A) Loss before corporate income tax of Baht 105.82 million; (B) Non-cash items such as depreciation of Baht 215.68 million; (C) The operating assets increased by Baht 292.36 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 increased by Baht 3.15 million due to the



increase in trade accounts payable, other accounts payable and other current liabilities; (E) An interest received of Baht 0.04 million; and (F) An interest expense of Baht 44.59 million.

2. The Company's net cash used in investment activities in year 2022 was Baht 79.73 million, consisting of: (A) The cost of industrial crops planting of Baht 3.59 million; and (B) Assets purchasing by Baht 76.14 million.

3. The Company's net cash from financing activities in year 2022 was Baht 288.83 million consisting of: (A) Short-term loan from financial institution by Baht 540.33 million; (B) Repayment of long-term loan by Baht 244 million, and (C) Repayment under financial lease of Baht 7.50 million.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at December 31, 2022 were 0.56 times and 0.13 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, 2022 was 1.23:1 times.

(3) The cash cycle of the Company in year 2022 was 28 days, which increased from the end of year 2021 by 9.46 days. The average debt collection period was 32.99 days, which increased from the end of year 2021 by 3.73 days. The average inventory turnover was 5.21 days, which increased from the end of year 2021 by 2.61 days, and the average debt repayment period was 10.20 days, which decreased from the end of year 2021 by 3.12 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

According to the volume of sugarcane entering the mill, the 2022/23 production season is expected to be lower than expected at around 106 million tones. As a result, the amount of molasses has also decreased from the forecast. Meanwhile, cassava yield trends from a survey conducted by The Thai Tapioca Trade Association, it is expected to increase from the 2021/22 production season, but the price of cassava production, especially cassava chips, remains volatile due to foreign demand and the demand for tapioca starch industry.

Meanwhile, demand for ethanol in 2023 is likely to decrease due to gasohol E20 and E85's cancellation of oil fund compensation from the 4th quarter of 2022. However, if the government implements measures to promote E20 gasohol as base oil using the oil fund mechanism, which aims to have a price differential of about 3 baht per liter lower than gasohol 95. To increase ethanol consumption, as well as the expected increase in fuel demand due to the recovery of the economy, which will result in an increase in the demand for ethanol.
