



**THAI AGRO ENERGY PUBLIC COMPANY LIMITED**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR FINANCIAL STATEMENTS OF THE 2<sup>nd</sup> QUARTER 2022**

## MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of the 2<sup>nd</sup> Quarter 2022)

### OVERALL OPERATING RESULTS

The overall operating results of the Company in the 2<sup>nd</sup> quarter 2022 and the first 6-month period of 2022, the Company has total revenue of Baht 281.43 million and Baht 951.92 million, which decreased from the same period last year by 51.76 percent and 24.83 percent respectively, resulted in a net loss in the 2<sup>nd</sup> quarter 2022 and the first 6-month period of 2022 amounted to Baht 51.43 million and Baht 46.36 million respectively. Because the main raw materials in ethanol production are scarce. As a result, raw material prices have risen, and ethanol sales volume decreased by 52.85 percent and 23.85 percent respectively, in line with the decrease in raw material volume.

### OPERATING RESULTS ANALYSIS

#### REVENUE:

Description	Year 2022		Year 2021		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
<b>2<sup>nd</sup> quarter (April – June)</b>						
Sales Revenue	281.14	99.90	582.89	99.92	(301.75)	(51.77)
Other Revenue	0.29	0.10	0.49	0.08	(0.20)	(40.82)
<b>Total Revenue</b>	<b>281.43</b>	<b>100.00</b>	<b>583.38</b>	<b>100.00</b>	<b>(301.95)</b>	<b>(51.76)</b>
<b>6-Month Period (January – June)</b>						
Sales Revenue	951.62	99.96	1,265.92	99.96	(314.30)	(24.83)
Other Revenue	0.30	0.03	0.49	0.04	(0.19)	(38.78)
<b>Total Revenue</b>	<b>951.92</b>	<b>100.00</b>	<b>1,266.41</b>	<b>100.00</b>	<b>(314.49)</b>	<b>(24.83)</b>

(1) The Company's total revenue in the 2<sup>nd</sup> quarter 2022 was Baht 281.43 million, which decreased from the same period last year by Baht 301.95 million or 51.76 percent, due to the following reasons.

(1.1) Revenue from ethanol sales decreased from the same period last year by Baht 301.75 million or 51.77 percent due to the decrease in ethanol sale volume by 52.85 percent. This is the result of a shortage of raw materials. Even though the ethanol selling price has increased by 2.35 percent, and

(1.2) Other revenue decreased from the same period last year by Baht 0.20 million or 40.82 percent due to the decrease of revenue from fusel oil sales.

(2) The Company's revenue in the first 6-month period of 2022 was Baht 951.92 million, which decreased from the same period of last year by Baht 314.49 million or 24.83 percent, due to the following reasons.

(2.1) Revenue from ethanol sales decreased from the same period of last year Baht 314.30 million or 24.83 percent due to the decrease of ethanol selling price by 1.23 percent, and the ethanol sales volume decreased by 23.85 percent, this is the result of a shortage of raw materials.

(2.2) Other revenue decreased from the same period of last year by Baht 0.19 million or 38.78 percent. This was due to the decrease of revenue from fusel oil sales.

#### EXPENSES:

Description	Year 2022		Year 2021		Increase (Decrease)	
	Baht Million	% of Sales	Baht Million	% of Sales	Baht Million	%
<b>2<sup>nd</sup> quarter (April – June)</b>						
Cost of sales	282.89	100.62	601.19	103.14	(318.30)	(52.94)
Selling and administrative expense	50.21	17.86	22.24	3.82	27.97	125.76
Financial cost	10.77	3.83	9.72	1.67	1.05	10.80
Corporate income tax	(11.01)	(3.91)	(6.91)	(1.19)	(4.10)	(59.33)
<b>Total Expenses</b>	<b>332.86</b>	<b>118.40</b>	<b>626.24</b>	<b>107.44</b>	<b>(293.38)</b>	<b>(46.85)</b>
<b>6-Month Period (January – June)</b>						
Cost of sales	916.12	96.27	1,190.95	94.08	(274.83)	(23.08)
Selling and administrative expense	72.42	7.61	43.07	3.40	29.35	68.14
Financial cost	21.09	2.21	18.59	1.47	2.50	13.45
Corporate Income tax	(11.35)	(1.19)	(0.29)	(0.02)	(11.06)	(3,813.79)
<b>Total Expenses</b>	<b>998.28</b>	<b>104.90</b>	<b>1,252.32</b>	<b>98.93</b>	<b>(254.04)</b>	<b>(20.29)</b>

(1) The Company's expenses in the 2<sup>nd</sup> quarter 2022 to was Baht 332.86 million, which decreased from the same period last year by Baht 293.38 million or 46.85 percent, due to the following reasons;

(1.1) Cost of ethanol sales decreased by Baht 318.30 million or 52.94 percent from the same period last year. This was due to a decrease in ethanol sale volume as described above.

(1.2) Selling and administrative expenses increased by Baht 27.97 million or 125.76 percent from the same period last year. Due to raw material shortages, the Company considered temporarily discontinuing ethanol production line 1, thus transferring the operating expenses of ethanol production line 1 resulting in such increased sales and administrative expenses.

(1.3) Financial cost increased by Baht 1.05 million or 10.80 percent from the same period last year. This was due to an increase in long-term loan, and;

(1.4) Corporate income tax increased by Baht 4.10 million or 59.33 percent from the same period last year due to the increase of deferred tax assets.

(2) The Company's expenses in the first 6-month period of 2022 was Baht 998.28 million, which decreased from the same period last year by Baht 254.04 million or 20.29 percent, due to the following reasons.

(2.1) Cost of ethanol sales decreased by Baht 274.83 million or 23.08 percent from the same period last year. This was due to a decrease in ethanol sale volume as described above.

(2.2) Selling and administrative expenses increased by Baht 29.35 million or 68.14 percent from the same period last year. Due to raw material shortages, the Company considered temporarily discontinuing ethanol production line 1, thus transferring the operating expenses of ethanol production line 1 resulting in such increased sales and administrative expenses.

(2.3) Financial cost increased by Baht 2.50 million or 13.45 percent from the same period of last year. This was due to an increase in long-term loan, and;

(2.4) Corporate Income tax expense increased by Baht 11.06 million or 3,813.79 percent from the same period last year due to the increase of deferred tax assets.

#### GROSS PROFIT:

Description	Year 2022		Year 2021	
	Baht Million	%	Baht Million	%
<b>2<sup>nd</sup> quarter (April – June)</b>				
Revenues from sales	281.14	100.00	582.89	100.00
Less cost of sales	282.89	100.62	601.19	103.14
<b>Gross Profit (Loss)</b>	<b>(1.75)</b>	<b>(0.62)</b>	<b>(18.30)</b>	<b>(3.14)</b>
<b>6-Month Period (January – June)</b>				
Revenues from sales	951.62	100.00	1,265.92	100.00
Less cost of sales	916.12	96.27	1,190.95	94.08
<b>Gross Profit</b>	<b>35.50</b>	<b>3.73</b>	<b>74.97</b>	<b>5.92</b>

(1) The Company's gross loss in the 2<sup>nd</sup> quarter of 2022 was Baht 1.75 million, or 0.62 percent of the revenue from sales, which decreased from the same period of last year which the gross loss was 18.30 million or 3.14 percent of the revenue from sales. Since it was able to adjust the sale price of ethanol, it increased from the same period last year by 2.35 percent.

(2) The Company's gross profit in the first 6-month period of 2022 was Baht 35.50 million, or 3.73 percent of the revenue from sales, which decreased from the same period of last year which the gross profit was 74.97 million or 5.92 percent of the revenue from sales. Because the price of the main raw materials in ethanol production increased from the same period last year but ethanol sales price was decreased from the same period last year by 1.23 percent.

**NET PROFIT:**

Description	Unit	Year 2022	Year 2021	Increase/ (Decrease)	%
<b>2<sup>nd</sup> quarter (April – June)</b>					
NET LOSS	Baht Million	(51.43)	(42.86)	8.57	20.00
NET LOSS PER SHARE	Baht per Share	(0.05)	(0.04)	0.01	25.00
<b>6-Month Period (January – June)</b>					
NET PROFIT (LOSS)	Baht Million	(46.36)	14.09	(60.45)	(429.03)
NET PROFIT (LOSS) PER SHARE	Baht per Share	(0.05)	0.01	(0.06)	(600.00)
<b>Remark</b> Registered par value of Baht 1 per share					

(1) The Company's net loss in the 2<sup>nd</sup> quarter of 2022 was Baht 51.43 million, increased from the same period last year by Baht 8.57 million, generating a net loss at Baht 0.05 per share which increased from the same period last year by Baht 0.01 per share, due to the reasons as described above.

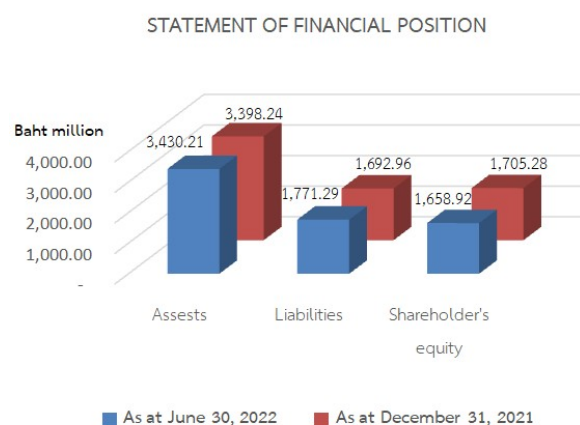
(2) The Company's net loss in the first 6-month period of 2022 was Baht 46.36 million. While the operating results in the first 6-month period of 2021, the Company posted a net profit of Baht 14.09 million. Because of losses for the above clarified reasons.

**STATEMENT OF FINANCIAL POSITION**

FINANCIAL POSITION	Unit	As at June 30, 2022	As at December 31, 2021	Increase (Decrease)	%
Total Assets	Baht Million	3,430.21	3,398.24	31.97	0.94
Total Liabilities	Baht Million	1,771.29	1,692.96	78.33	4.63
Total Shareholder's Equity	Baht Million	1,658.92	1,705.28	(46.36)	(2.72)
Book Value	Baht per Share	1.66	1.71	(0.05)	(2.92)
<b>Remark:</b> Registered per value of Baht 1 per share					

**ASSETS:** The Company's total assets as at June 30, 2022 increased from the end of year 2021 by Baht 31.97 million or 0.94 percent, due to the following reasons;

(1) Current Assets increased from the end of 2021 by Baht 64.20 million or 10.08 percent, due to (A) Cash and cash equivalent decreased by Baht 15.04 million or 40.94 percent; (B) Trade accounts receivable and other receivables decreased by Baht 90.72 million or 45.84 percent; (C) Inventories increased by Baht 419.68 million or 401.38 percent, most of which were molasses; (D) Advances payment for purchase goods decreased by Baht 243.90 million or 84.99 percent, and (E) Another current assets decreased by Baht 5.82 million or 55.59 percent.



(2) Non-Current Assets decreased from the end of year 2021 by Baht 32.23 million or 1.17 percent, consisting of: (A) Biological assets increased by Baht 1.71 million or 14.77 percent; (B) Land, plant and equipments decreased by Baht 41.50 million or 1.54 percent; (C) Right-of-use assets decreased by Baht 3.82 million or 15.12 percent, and (D) Another non-current assets most of which were deferred tax assets increased by Baht 11.38 million or 50.04 percent.

**LIABILITIES:** The Company's total liabilities as at June 30, 2022 increased from the end of year 2021 by Baht 78.33 million or 4.63 percent, due to (A) Short-term loan from financial institution which was for raw material supply and for working capital, increased by Baht 196.74 million or 25.76 percent (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, increased by Baht 12.52 million or 18.47 percent. (C) Long-term loan decreased by Baht 121.85 million or 14.94 percent, and (D) Other liabilities most of which were liabilities under lease agreement decreased by Baht 9.08 million or 19.87 percent.

**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company as at June 30, 2022 decreased from the end of year 2021 by Baht 46.36 million or 2.72 percent, due to the net loss as described above.

## CASH FLOWS

Description (Unit: Million Baht)	First six months period (January – June)	
	Year 2022	Year 2021
Cash Flows used in Operating Activities	(46.32)	(145.56)
Cash Flows used in Investing Activities	(39.63)	(58.89)
Cash Flows from Financing Activities	70.91	206.52
Net Increase (Decrease) in Cash and Cash Equivalent	(15.04)	2.07
Cash and Cash Equivalent at the Beginning of the Period	36.74	26.50
<b>Cash and Cash Equivalent at the End of the Period</b>	<b>21.70</b>	<b>28.57</b>



(1) The Company's net cash used in operating activities in the first 6-month period of 2022 was Baht 46.32 million, consisting of: (A) Loss before corporate income tax of Baht 57.71 million; (B) Non-cash items such as depreciation of Baht 105.35 million; (C) The operating assets increased by Baht 78.56 million due to an increase in trade and other receivables, inventories, advance payments for purchase of goods and another current assets; (D) The operating liabilities increased by Baht 5.71 million due to an increase 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 21.13 million.

(2) The Company's net cash used in investment activities in the first 6-month period of 2022 was Baht 39.63 million, consisting of : (A) The cost of industrial crops planting of Baht 1.72 million; and (B) Assets purchasing by Baht 37.91 million.

(3) The Company's net cash used in financing activities in the first 6-month period of 2022 was Baht 70.91 million consisting of: (A) Receiving of short-term loan from financial institution by Baht 196.73 million; (B) Repayment of long-term loan by Baht 122 million, and (C) Repayment under financial lease of Baht 3.82 million.

## **LIQUIDITY AND SUFFICIENCY OF CAPITAL**

(1) The current ratio and quick ratio of the Company as at June 30, 2022 were 0.54 times and 0.10 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, 2022 was 1.07:1 times.

(3) The cash cycle of the Company in the first 6-month period of 2022 was 30.41 days, which increased from the end of year 2021 by 11.87 days. The average debt collection period was 27.34 days, which decreased from the end of year 2021 by 1.92 days. The average inventory turnover was at 14.28 days, which increased from the end of year 2021 by 11.68 days, and the average debt repayment period was at 11.21 days, which decreased from the end of year 2021 by 2.11 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. As of June 30, 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 May 19, 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 lending bank has stipulated that the Company cannot pay dividend to its shareholders, 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. Unless a waiver is granted by the lending bank.

## **FUTURE TREND**

The government policy to relax travel measures in and out of the Kingdom will help stimulate the growth rate of the Thai economy in 2022. This is evident from the increase in Gross Domestic Product (GDP) in the 2nd quarter of 2022 due to activity in the tourism sector and increased spending from the previous slowdowns in demand due to the COVID-19 pandemic. As a result, the demand for fuel and ethanol is increasing and the trend is getting better. In the 3rd quarter of 2022, Gross Domestic Product (GDP) is expected to increase by at least 3-4% compared to the same period last year.

The above-mentioned signals, coupled with the domestic ethanol reserves are still relatively low and there is a chance of scarcity. As a result, ethanol prices are likely to rise

---