



THAI AGRO ENERGY PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FINANCIAL STATEMENTS OF THE 3rd QUARTER 2021



MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of the 3rd Quarter 2021)

OVERALL OPERATING RESULTS

The Company had total revenue in the 3rd quarter 2021 and the first 9-month period of 2021 Baht 465.72 million and 1,732.15 million, which decreased from the same period last year by 29.22 and 9.13 percent. This was due to the sales volume of ethanol decreased from the same period last year by 37.24 percent and 20.23 percent respectively, due to the Coronavirus disease outbreak ("COVID-19") has led to a decrease in fuel demand, resulting in a decrease in the amount of ethanol sales. In addition, the drought affected the price of molasses, the main raw material, to increase from the same period last year by 28.39 percent. As a result, the Company has decreased its operating results from the same period last year, resulted in a net loss in the 3rd quarter 2021 amounted to Baht 27.64 million or generating a net loss at Baht 0.03 per share and net loss for the first 9-month period of 2021 amounted to Baht 13.55 million or generating a net loss at Baht 0.01 per share, respectively.

OPERATING RESULTS ANALYSIS

REVENUE:

Description	Year 2021		Year 2020		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
3rd quarter (July – September)						
Sales Revenue	465.68	99.99	657.39	99.91	(191.71)	(29.16)
Other Revenue	0.04	0.01	0.57	0.09	(0.53)	(92.98)
Total Revenue	465.72	100.00	567.96	100.00	(192.24)	(29.22)
9-Month Period (January – September)						
Sales Revenue	1,731.60	99.97	1,904.49	99.92	(172.89)	(9.08)
Other Revenue	0.55	0.03	1.61	0.08	(1.06)	(65.84)
Total Revenue	1,732.15	100.00	1,906.10	100.00	(173.95)	(9.13)

(1) The Company's revenue in the 3rd quarter 2021 totaled Baht 465.72 million, which decreased from the same period last year by Baht 192.24 million or 29.22 percent, due to the following reasons.

(1.1) Revenue from ethanol sales decreased by Baht 191.71 million or 29.16 percent from the same period last year due to the Covid-19 pandemic, affected the decrease of ethanol demand, then the sales volume decreased by 37.24 percent.



(1.2) Other revenue decreased by Baht 0.53 million or 92.98 percent from the same period last year. This was due to income from the sales of assets and dried cassava waste in the 3rd quarter 2020 but there was no such income in this quarter.

(2) The Company's revenue in the first 9-month period of 2021 totaled Baht 1,732.15 million, which decreased from the same period of last year by Baht 173.95 million or 9.13 percent, due to the following reasons.

(2.1) Revenue from ethanol sales decreased from the same period of last year Baht 172.89 million or 9.08 percent due to the Covid-19 pandemic, affected the decrease of ethanol demand, then the sales volume decreased by 20.23 percent.

(2.2) Other revenue decreased from the same period of last year by Baht 1.06 million or 65.84 percent. This was due to the decrease of fusel oil sales and there was an income from the sales of assets and dried cassava waste in the 3rd quarter 2020 but there was no such income in the first 9-month period of 2021.

EXPENSES:

Description	Year 2021		Year 2020		Increase (Decrease)	
	Baht Million	% of Sales	Baht Million	% of Sales	Baht Million	%
3rd quarter (July – September)						
Cost of sales	452.71	97.21	620.20	94.34	(167.49)	(27.01)
Selling and administrative expense	30.01	6.44	18.90	2.88	11.11	58.78
Financial cost	9.11	1.96	9.39	1.43	(0.28)	(2.98)
Corporate Income tax	1.53	0.33	(0.73)	(0.11)	2.26	(309.59)
Total Expenses	493.36	105.94	647.76	98.54	(154.40)	(23.84)
9-Month Period (January – September)						
Cost of sales	1,643.66	94.92	1,695.00	89.00	(51.34)	(3.03)
Selling and administrative expense	73.08	4.22	65.93	3.46	7.15	10.84
Financial cost	27.72	1.60	32.21	1.69	(4.49)	(13.94)
Corporate Income tax	1.24	0.07	11.79	0.62	(10.55)	(89.48)
Total Expenses	1,745.70	100.81	1,804.93	94.77	(59.23)	(3.28)

(1) The Company's expenses in the 3rd quarter 2021 totaled Baht 493.36 million, which decreased from the same period last year by Baht 154.40 million or 23.84 percent, due to the Covid-19 pandemic, affected the decrease of ethanol demand, which is summarized as follows:

(1.1) Cost of ethanol sales decreased from the same period last year by Baht 167.49 million or 27.01 percent. This was due to the decrease of ethanol sale volume as described above.



(1.2) Selling and administrative expenses increased from the same period last year by Baht 11.11 million or 58.78 percent. Due to the Coronavirus disease pandemic ("COVID-19") has led to a decrease in fuel demand, resulting in a decrease in the amount of ethanol sales. Therefore, the Company has temporarily suspended production of ethanol production line 1, resulting in the cost of producing the ethanol production line 1 transferred to such increased sales and administrative expense.

(1.3) Financial cost decreased from the same period last year by Baht 0.28 million or 2.98 percent. This was due to due to the repayment of long-term loan, and;

(1.4) Corporate income tax increased from the same period last year by Baht 2.26 million or 309.59 percent due to the decrease of deferred income tax.

(2) The Company's expenses in the first 9-month period of 2021 totaled Baht 1,745.70 million, decreased from the same period last year by Baht 59.23 million or 3.28 percent, due to the Covid-19 pandemic, affected the decrease of ethanol demand as described above, which is summarized as follows:

(2.1) Cost of ethanol sales decreased from the same period last year by Baht 51.34 million or 3.03 percent due to the decrease of ethanol sale volume.

(2.2) Selling and administrative expenses increased from the same period last year by Baht 7.15 million or 10.84 percent Due to the Coronavirus disease pandemic, ("COVID-19") has led to a decrease in fuel demand, resulting in a decrease in the amount of ethanol sales. Therefore, the Company has temporarily suspended production of ethanol production line 1, resulting in the cost of producing the ethanol production line 1 transferred to such increased sales and administrative expenses.

(2.3) Financial cost decreased from the same period of last year by Baht 4.49 million or 13.94 percent. This was due to the repayment of long-term loan, and;

(2.4) Corporate Income tax decreased from the same period last year by Baht 10.55 million or 89.48 percent due to the decrease of net profit as described above.

GROSS PROFIT:

Description	Year 2021		Year 2020	
	Baht Million	%	Baht Million	%
3rd quarter (July – September)				
Revenues from sales	465.68	100.00	657.39	100.00
Less cost of sales	452.71	97.21	620.20	94.34
Gross Profit	12.97	2.79	37.19	5.66
9-Month Period (January – September)				
Revenues from sales	1,731.60	100.00	1,904.49	100.00
Less cost of sales	1,643.66	94.92	1,695.00	89.00
Gross Profit	87.94	5.08	209.49	11.00



(1) The Company's gross profit in the 3rd quarter 2021 was Baht 12.97 million, or 2.79 percent of the revenue from sales, decreased from the same period of last year which the gross profit was 37.19 million or 5.66 percent of the revenue from sales. This was due to the price of molasses, the main raw material for ethanol production, increased from the same period last year by 34.51 percent.

(2) The Company's gross profit in the first 9-month period of 2021 was Baht 87.94 million, or 5.08 percent of sales revenue, which decreased from the same period of last year which the gross profit was 209.49 million or 11 percent of the revenue from sales. This was due to the price of molasses, the main raw material for ethanol production, increased from the same period last year by 28.39 percent.

NET PROFIT:

Description	Unit	Year 2021	Year 2020	Increase/ (Decrease)	%
3rd quarter (July-September)					
NET (LOSS) PROFIT	Baht Million	(27.64)	10.20	(37.84)	(370.98)
NET (LOSS) PROFIT PER SHARE	Baht per Share	(0.03)	0.01	(0.04)	(400.00)
9-Month Period (January – September)					
NET (LOSS) PROFIT	Baht Million	(13.55)	101.17	(114.72)	(113.39)
NET (LOSS) PROFIT PER SHARE	Baht per Share	(0.01)	0.10	(0.11)	(110.00)
<u>Remark</u> Registered par value of Baht 1 per share					

(1) The Company's net loss in the 3rd quarter of 2021 was Baht 27.64 million, decreased from the same period last year by Baht 37.84 million, generating a net loss at Baht 0.03 per share which decreased from the same period last year by Baht 0.04 per share, due to the reasons as described above.

(2) The Company's net loss in the first 9-month period of 2021 was Baht 13.55 million, decreased from the same period last year by Baht 114.72 million, generating a net loss at Baht 0.01 per share which decreased from the same period last year by Baht 0.11 per share, due to the reasons as described above.



STATEMENT OF FINANCIAL POSITION

Description	Unit	As at September 30, 2021	As at December 31, 2020	Increase (Decrease)	%
Total Assets	Baht Million	3,328.86	3,357.97	(29.11)	(0.87)
Total Liabilities	Baht Million	1,578.72	1,559.28	19.44	1.25
Total Shareholder's Equity	Baht Million	1,750.14	1,798.69	(48.55)	(2.70)
Book Value	Baht per Share	1.75	1.80	(0.05)	(2.78)
Remark: Registered per value of Baht 1 per share					

ASSETS: The Company's total assets as at September 30, 2021 decreased from the end of year 2020 by Baht 29.11 million or 0.87 percent. The total assets consisting of:

(1) Current Assets increased from the end of 2020 by Baht 24.76 million or 4.70 percent, consisting of: (A) Cash and cash equivalent increased by Baht 0.79 million or 2.98 percent; (B) Trade accounts receivable and other receivables increased by Baht 11.91 million or 6.65 percent; (C) Inventories increased by Baht 200.70 million or 161.13 percent, most of which were molasses; (D) Advances payment for purchase goods decreased by Baht 181.18 million or 100 percent, and (E) Another current assets decreased by Baht 7.46 million or 47.55 percent.

(2) Non-Current Assets decreased from the end of year 2020 by Baht 53.87 million or 1.90 percent, consisting of: (A) Biological assets increased by Baht 4.28 million or 66.25 percent; (B) Land, plant and equipment decreased by Baht 51.68 million or 1.86 percent; (C) Right-of-use assets decreased by Baht 6.01 million or 18.05 percent, and (D) Another non-current assets decreased by Baht 0.46 million or 6.81 percent.

LIABILITIES : The Company's total liabilities as at September 30, 2021 increased from the end of year 2020 by Baht 19.44 million or 12.25 percent, due to (A) Short-term loan which was for raw material supply and for working capital, decreased by Baht 327.49 million or 35.78 percent (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, decreased by Baht 82.96 million or 66.44 percent, (C) Long-term loan increased by Baht 427.51 million or 92.88 percent, and (D) Other liabilities which most were liabilities under lease agreement increased by Baht 2.38 million or 4.05 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at September 30, 2021 decreased from the end of year 2020 by Baht 48.55 million or 2.70 percent, resulting in a decrease of the share's book value from Baht 1.80 per share to Baht 1.75 per share due to the decrease of net profit as described above.



CASH FLOWS

Description	First 9-months period (January – September)	
	Year 2021	Year 2020
Cash Flows from (used in) Operating Activities	18.06	833.59
Cash Flows from (used in) Investing Activities	(76.72)	(134.16)
Cash Flows from (used in) Financing Activities	59.45	(710.47)
Net Increase (Decrease) in Cash	0.79	(11.04)
Cash at the Beginning of the Period	26.50	25.44
Cash at the End of the Period	27.29	14.40

(1) The Company's net cash used in operating activities in the first 9-month period of 2021 was Baht 18.06 million, consisting of: (A) Loss before corporate income tax of Baht 12.31 million; (B) Non-cash items such as depreciation of Baht 156.23 million; (C) The operating assets increased by Baht 23.98 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 74.68 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 27.22 million.

(2) The Company's net cash used in investment activities in the first 9-month period of 2021 was Baht 76.72 million, consisting of: (A) The cost of industrial crops planting of Baht 4.28 million; and (B) Assets purchasing by Baht 72.44 million.

(3) The Company's net cash used in financing activities in the first 9-month period of 2021 was Baht 59.45 million consisting of : (A) Repayment of short-term loan by Baht 327.49 million; (B) Long-term loans from financial institution by Baht 499.36 million, (C) Repayment of long-term loan by Baht 72 million, (D) Repayment under financial lease of Baht 5.71 million, and (D) Dividend payment of Baht 34.71 million.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at September 30, 2021 were 0.36 times and 0.14 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 September 30, 2021 was 0.9:1 times.



(3) The cash cycle of the Company in the first 9 month period of 2021 was 28.53 days, which increased from the end of year 2020 by 14.70 days. The average debt collection period was 32.47 days, which increased from the end of year 2020 by 5.45 days. The average inventory turnover was at 10.36 days, which increased from the end of year 2020 by 4.81 days, and the average debt repayment period was at 14.30 days, which decreased from the end of year 2020 by 4.44 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 September 30, 2021, 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 October 27, 2021, so as of September 30, 2021, the Company classified long-term loan as part of long-term loan due within one year.

(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

The Coronavirus Disease ("COVID-19") outbreak has been unraveling since late August 2021. The Centre for COVID-19 Situation Administration has periodically relaxed the lockdown from September 1, 2021, allowing travel across the province as necessary, as well as opening some business with the open-country policy on November 1, 2021. It is expected to increase travel and demand for fuel, including ethanol, as an ingredient in the fuel during the 4th quarter of 2021 and continuing through 2022. However, due to the drought, the Company has improved its ethanol production process to allow for a wider range of raw materials. The Company focuses on increasing the efficiency of ethanol production to be low cost and competitive by reducing energy production costs by saving energy and generating electricity for itself, the Company will have the best performance under the above situation.