



THAI AGRO ENERGY PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

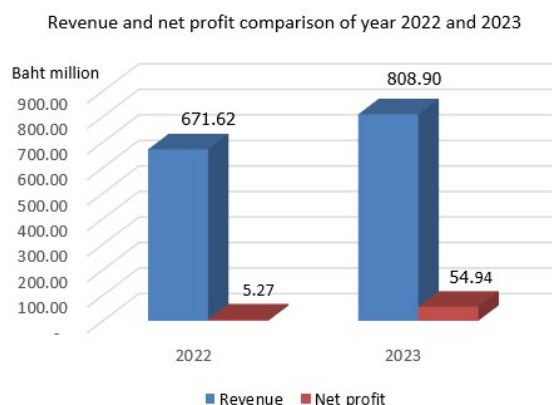
FOR FINANCIAL STATEMENTS OF THE 1st QUARTER OF 2023

MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of the 1st Quarter of 2023)

OVERALL OPERATING RESULTS

The overall operating results for the 1st quarter of 2023 show that the Company had a total revenue of Baht 808.90 million and a net profit of Baht 54.94 million. This represents an increase of 20.44 percent and 942.50 percent, respectively, compared to the same period last year. The increase is due to higher selling prices of ethanol compared to the same period last year, which increased by 14.71 percent. Additionally, there was commercial distribution of soil conditioner.



OPERATING RESULTS ANALYSIS

REVENUE:

| Description | 1 st quarter 2023 | | 1 st quarter 2022 | | Increase (Decrease) | |
|----------------------|------------------------------|---------------|------------------------------|---------------|---------------------|--------------|
| | Baht Million | % | Baht Million | % | Baht Million | % |
| Sales revenue | 781.50 | 96.61 | 671.61 | 100.00 | 109.89 | 16.36 |
| Other revenue | 27.40 | 3.39 | 0.01 | - | 27.39 | N/A |
| Total revenue | 808.90 | 100.00 | 671.62 | 100.00 | 137.28 | 20.44 |

The Company had a total revenue of Baht 808.90 million in the 1st quarter 2023, which increased from the same period last year by Baht 137.28 million or 20.44 percent, due to the following reasons.

1. Revenue from sales increased from the same period last year by Baht 109.89 million or 16.36 percent due to higher selling prices of ethanol, which increased by 14.71 percent compared to the same period of the last year. This is due to the revenue from the commercial sale of soil conditioner. and;

2. Other income increased from the same period last year by Baht 27.39 million. Due to receiving penalty from the failure of the contracting party to comply with the contract and insurance compensation.

EXPENSES:

| Description | 1 st quarter 2023 | | 1 st quarter 2022 | | Increase (Decrease) | |
|------------------------------------|------------------------------|--------------|------------------------------|--------------|---------------------|--------------|
| | Baht Million | % Sale | Baht Million | % Sale | Baht Million | % |
| Cost of sales | 682.39 | 87.32 | 633.94 | 94.39 | 48.45 | 7.64 |
| Selling and administrative expense | 41.22 | 5.27 | 22.21 | 3.31 | 19.01 | 85.59 |
| Financial cost | 17.06 | 2.19 | 10.32 | 1.54 | 6.74 | 65.31 |
| (Revenue) income tax expenses | 13.29 | 1.70 | (0.12) | (0.02) | 13.41 | N/A |
| Total Expenses | 753.96 | 96.48 | 666.35 | 99.22 | 87.61 | 13.15 |

The Company's expenses in the 1st quarter 2023 was Baht 753.96 million, increased by Baht 87.61 million or 13.15 percent from the same period last year, due to the following reasons;

1. Cost of sales increased by Baht 48.45 million compared to the same period last year, or 7.64 percent. This increase is due to higher costs of finished ethanol products resulting from the increased prices of raw materials.
2. Sales and administrative expenses increased by Baht 19.01 million compared to the same period last year, or 85.59 percent. This increase is attributed to higher transportation costs in distributing ethanol, driven by the rise in gasoline prices.
3. Financial costs increased by Baht 6.74 million compared to the same period last year, or 65.31 percent. This increase is due to higher interest rates on loans.
4. Income tax expenses increased by Baht 13.41 million compared to the same period last year. This increase is a result of higher profits.

GROSS PROFIT:

| Description | 1 st quarter 2023 | | 1 st quarter 2022 | |
|---------------------------|------------------------------|--------------|------------------------------|-------------|
| | Baht Million | % | Baht Million | % |
| Revenues from Sales | 781.50 | 100.00 | 671.61 | 100.00 |
| Less Cost of Sales | 682.39 | 87.32 | 633.94 | 94.39 |
| Gross Profit | 99.11 | 12.68 | 37.67 | 5.61 |

The Company's gross profit in the 1st quarter 2023 was Baht 99.11 million or 12.68 percent of the sales revenue, which increased from the same period last year with the gross profit of 5.61 percent of the sales revenue. This was due to the increase in sales revenue as described above.

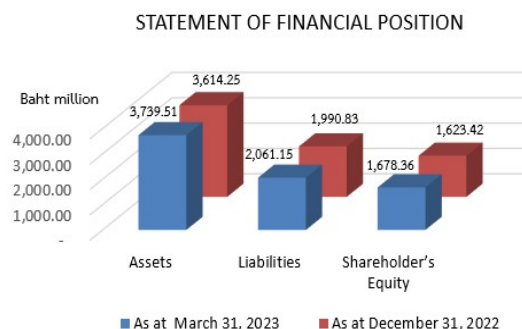
NET PROFIT:

| Description | Unit | 1 st quarter 2023 | 1 st quarter 2022 | Increase (Decrease) | % |
|---------------------------------------------------------|----------------|---------------------------------|---------------------------------|------------------------|--------|
| NET PROFIT | Baht Million | 54.94 | 5.27 | 49.67 | 942.50 |
| NET PROFIT PER SHARE | Baht per Share | 0.055 | 0.005 | 0.050 | N/A |
| Remark: Registered per value of Baht 1 per share | | | | | |

The Company's net profit in the 1st quarter 2023 was Baht 54.94 million which increased from the same period last year by Baht 49.67 million or 942.50 percent, which accounts for net profit of Baht 0.055 per share. When compared with the same period last year, the net profit increased by Baht 0.05 per share. The reason is as described above.

STATEMENT OF FINANCIAL POSITION

| FINANCIAL POSITION | Unit | As at March 31, 2023 | As at December 31, 2022 | Increase (Decrease) | % |
|---------------------------------------------------------|----------------|----------------------------|-------------------------------|------------------------|-------------|
| Total Assets | Baht Million | 3,739.51 | 3,614.25 | 125.26 | 3.47 |
| Total Liabilities | Baht Million | 2,061.15 | 1,990.83 | 70.32 | 3.53 |
| Total Shareholder's Equity | Baht Million | 1,678.36 | 1,623.42 | 54.94 | 3.38 |
| Book Value | Baht per Share | 1.68 | 1.62 | 0.06 | 3.70 |
| Remark: Registered per value of Baht 1 per share | | | | | |



ASSETS: The Company's total assets as at March 31, 2023 increased from the end of year 2022 by Baht 125.26 million or 3.47 percent. The total assets consisting of:

1. Current assets increased from the end of 2022 by Baht 131.34 million or 14.22 percent, consisting of: (A) Cash and cash equivalent increased by Baht 11.52 million or 52.51 percent; (B) Trade accounts receivable and other receivables increased by Baht 73.51 million or 39.60 percent; (C) Inventories, most of which were molasses, increased by Baht 440.80 million or 290.27 percent; (D) Advances payment for purchase goods decreased by Baht 382.63 million or 70.81 percent, and (E) Another current assets decreased by Baht 11.86 million or 50.15 percent.

2. Non-current assets decreased from the end of year 2022 by Baht 6.08 million or 0.23 percent, consisting of: (A) Biological assets increased by Baht 1.16 million or 7.65 percent; (B) Land, plant and equipment increased by Baht 3.81 million or 0.15 percent; (C) Right-of-use assets decreased by Baht 1.78 million or 10.05 percent, and (D) Another non-current assets most of which were deferred tax assets decreased by Baht 9.27 million or 27 percent.

LIABILITIES: The Company's Total Liabilities as at March 31, 2023 increased from the end of year 2022 totaled 70.32 million or 3.53 percent, consisting of: (A) Short-term loan which was for raw material supply and for working capital, increased by Baht 91.59 million or 7.02 percent (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, increased by Baht 25.05 million or 31.81 percent. (C) Long-term loan decreased by Baht 49.93 million or 8.73 percent, and (D) Other liabilities most of which were liabilities under lease agreement increased by Baht 3.61 million or 10.04 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at March 31, 2023 increased from the end of year 2022 by Baht 54.94 million or 3.38 percent, due to the profit as described above.

CASH FLOWS

| Cash Flows | Unit | 1 st quarter 2023 | 1 st quarter 2022 |
|----------------------------------------------------------|---------------------|------------------------------|------------------------------|
| Cash Flows from (used in) Operating Activities | Baht Million | 25.35 | (126.33) |
| Cash Flows used in Investing Activities | Baht Million | (53.59) | (21.26) |
| Cash Flows from Financing Activities | Baht Million | 39.76 | 142.11 |
| Net increase (decrease) in cash and cash equivalent | Baht Million | 11.52 | (5.48) |
| Cash and cash equivalent at the beginning of the period | Baht Million | 21.94 | 36.74 |
| Cash and Cash Equivalent at the End of the Period | Baht Million | 33.46 | 31.26 |

1. The Company's net cash from operating activities in the 1st quarter 2023 totaled Baht 25.35 million, consisting of: (A) Profit before corporate income tax of Baht 68.23 million; (B) Non-cash items such as depreciation; Baht 61.55 million. (C) The operating assets increased by Baht 119.80 million due to an increase in trade and other receivables and inventories and advance payments for purchase of goods and another current assets; (D) The operating liabilities increased by Baht 31.24 million due to an increase in trade accounts payable, other accounts payable and other current liabilities, and (E) Interest expense by Baht 15.87 million.

2. The Company's net cash used in investment activities in the 1st quarter 2023 totaled Baht 53.59 million, consisting of: (A) The cost of industrial crops planting of Baht 1.16 million and (B) Assets purchasing by Baht 52.43 million.

3. The Company's net cash from financing activities in the 1st quarter 2023 totaled Baht 39.76 million consisting of: (A) Receiving of short-term loan of Baht 91.55 million, (B) Repayment of long-term loan by Baht 50 million and (C) Repayment under financial lease at Baht 1.79 million.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at March 31, 2023 were 0.60 times and 0.17 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, 2023 was 1.23:1 times.

(3) The cash cycle of the Company in the 1st quarter 2023 was 38.30 days, which increased from the end of year 2022 by 9.90 days. The average debt collection period was at 36.75 days, which increased from the end of year 2022 by 4.18 days. The average inventory turnover was at 14.54 days, which increased from the end of year 2022 by 8.56 days, and the average debt repayment period was at 12.99 days, increased from the end of year 2022 by 2.84 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, 2023, 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

It is expected that the demand for ethanol in 2023 will tend to increase due to the government's policy to promote Gasohol E20 as the basic fuel by utilizing the oil fund mechanism to subsidize the price difference for retail sales lower than Gasohol 95. Regarding the raw materials used in production, there is currently a consideration to import additional molasses for ethanol production in order to increase production and distribution volume. This will also help compensate for the shortage of molasses within the country, where prices are high and insufficient to meet domestic demand. Furthermore, the Company has started producing and commercially distributing soil conditioner since the 1st quarter of 2023, which will contribute to increased revenue.
