



THAI AGRO ENERGY PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FINANCIAL STATEMENTS OF THE 2nd QUARTER OF 2024

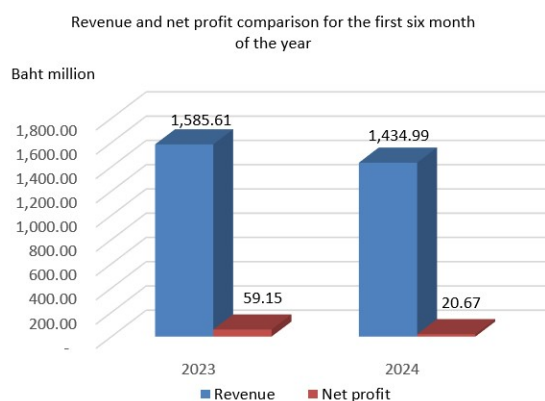
MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of the 2nd Quarter of 2024)

OVERALL OPERATING RESULTS

The Company's operating results in the 2nd quarter 2024 had a total revenue of Baht 771.50 million. This was a decrease of 0.67 percent from the same period last year due to a decrease in the sales volume of ethanol and soil conditioners, but a net profit increased by Baht 25.07 million or 495.49 percent due to an increase in the selling price of ethanol and soil conditioners.

For the first 6-month period of 2024, the total revenue was Baht 1,434.99 million and the net profit was Baht 20.67 million. This was decreased from the same period last year by 9.50 percent and 65.05 percent, respectively, due to a decrease in the sales volume of ethanol and soil conditioners, as well as the damage caused by a fire broke out of raw materials stored in the Company's warehouse which is currently in the process of claiming compensation from the insurance company.



OPERATING RESULTS ANALYSIS

REVENUE:

Description	Year 2024		Year 2023		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
2nd quarter (April – June)						
Sales Revenue	751.84	97.45	776.16	99.93	(24.32)	(3.31)
Revenue from selling raw materials from a fire broke out	12.81	1.66	-	-	12.81	100.00
Other Revenue	6.85	0.89	0.55	0.07	6.30	N/A
Total Revenue	771.50	100.00	776.71	100.00	(5.21)	(0.67)
6-Month Period (January – June)						
Sales Revenue	1,397.26	97.37	1,557.66	98.24	(160.40)	(10.30)
Revenue from selling raw materials from a fire broke out	24.49	1.71	-	-	24.49	100.00
Other Revenue	13.24	0.92	27.95	1.76	(14.71)	(52.63)
Total Revenue	1,434.99	100.00	1,585.61	100.00	(150.62)	(9.50)

1. The Company's total revenue in the 2nd quarter 2024 was Baht 711.50 million, which decreased from the same period last year by Baht 5.21 million or 0.67 percent, due to the following reasons.

1.1 Revenue from sales decreased by Baht 24.32 million or 3.31 percent, the revenue from selling ethanol decreased by Baht 21.30 million and revenue from selling soil conditioners decreased by Baht 3.02 million. Due to the decrease in the sale volume of ethanol and soil conditioners.

1.2 Revenue from selling raw materials remainder from a fire broke out by Baht 12.81 million and;

1.3 Other revenue increased by Baht 6.30 million. Due to the revenue from the sale of cassava residue.

2. The Company's revenue in the first 6-month period of 2024 was Baht 1,434.99 million, which decreased from the same period of last year by Baht 150.62 million or 9.50 percent, due to the following reasons.

2.1 Revenue from sales decreased by Baht 160.40 million or 10.30 percent the revenue from selling ethanol decreased by Baht 149.17 million and revenue from selling soil conditioners decreased by Baht 11.23 million. Due to the decrease in the sale volume of ethanol and soil conditioners.

2.2 Revenue from selling raw materials remainder from a fire broke out by Baht 24.49 million and;

2.3 Other revenue decreased by Baht 14.71 million or 52.63 percent. Due to receiving penalty from the failure of the contracting party to comply with the contract and insurance compensation in the same period last year but there is no such revenue in this period.

EXPENSES:

Description	Year 2024		Year 2023		Increase (Decrease)	
	Baht Million	% of Sales	Baht Million	% of Sales	Baht Million	%
2nd quarter (April – June)						
Cost of sales	661.50	87.98	707.89	91.20	(46.39)	(6.55)
Selling and administrative expense	32.65	4.34	45.90	5.92	(13.25)	(28.87)
Damage from the fire broke out	29.01	3.86	-	-	29.01	100.00
Financial cost	16.90	2.25	17.19	2.21	(0.29)	(1.69)
Corporate income tax	6.37	0.85	1.52	0.20	4.85	319.08
Total Expenses	746.43	99.28	772.50	99.53	(26.07)	(3.37)
6-Month Period (January – June)						
Cost of sales	1,234.90	88.38	1,390.28	89.25	(155.38)	(11.18)
Selling and administrative expense	65.69	4.70	87.12	5.60	(21.43)	(24.60)
Damage from the fire broke out	73.98	5.29	-	-	73.98	100.00
Financial cost	34.27	2.45	34.25	2.20	0.02	0.06
Corporate Income tax	5.48	0.40	14.81	0.95	(9.33)	(63.00)
Total Expenses	1,414.32	101.22	1,526.46	98.00	(112.14)	(7.35)

(1) The Company's expenses in the 2nd quarter 2024 to was Baht 746.43 million, which decreased from the same period last year by Baht 26.07 million or 3.37 percent, due to the following reasons;

(1.1) Cost of sales decreased by Baht 46.39 million or 6.55 percent. This was due to the decrease in ethanol and soil conditioners sale volume.

(1.2) Selling and administrative expenses decreased by Baht 13.25 million or 28.87 percent. Due to the freight cost of ethanol distribution has decreased in line with the decreased ethanol sales volume and the factory expenses transferred to sales and administrative expenses due to the temporary suspension of production decreased.

(1.3) Damage from the fire broke out by Baht 29.01 million due to a fire broke out of the cassava chips which is a raw material for ethanol production and stored in the Company's warehouse. However, the Company is covered by all-risk insurance against such damage and is currently in the process of claiming compensation from the insurance company.

(1.4) Financial cost decreased by Baht 0.29 million or 1.69 percent. Due to long term loan repayment and;

(1.5) Corporate income tax decreased by Baht 4.85 million or 319.08 percent.

(2) The Company's expenses in the first 6-month period of 2024 was Baht 1,414.32 million, which decreased from the same period last year by Baht 112.14 million or 7.35 percent, due to the following reasons.

(2.1) Cost of sales decreased by Baht 155.38 million or 11.8 percent. Due to the decrease of ethanol and soil conditioners sales volume.

(2.2) Selling and administrative expenses decreased by Baht 21.43 million or 24.60 percent. Due to the freight cost of ethanol distribution has decreased in line with the decreased ethanol sales volume and the factory expenses transferred to sales and administrative expenses due to the temporary suspension of production decreased.

(2.3) Damage from the fire broke out by Baht 73.98 million due to a fire broke out of the cassava chips which is a raw material for ethanol production and stored in the Company's warehouse. However, the Company is covered by all-risk insurance against such damage and is currently in the process of claiming compensation from the insurance company.

(2.4) Financial cost increased by Baht 0.02 million or 0.06 percent. Due to the adjustment of loan interest rates and;

(2.5) Corporate Income tax expense decreased by Baht 9.33 million or 63.00 percent.

GROSS PROFIT:

Description	Year 2024		Year 2023	
	Baht Million	%	Baht Million	%
2nd quarter (April – June)				
Revenues from sales	751.84	100.00	776.16	100.00
Less cost of sales	661.50	87.98	707.89	91.20
Gross Profit (Loss)	90.34	12.02	68.27	8.80
6-Month Period (January – June)				
Revenues from sales	1,397.26	100.00	1,557.66	100.00
Less cost of sales	1,234.90	88.38	1,390.28	89.25
Gross Profit	162.36	11.62	167.38	10.75

(1) The Company's gross profit in the 2nd quarter 2024 was Baht 90.34 million or 12.02 percent of the sales revenue, which increased from the same period last year which the gross profit of 8.80 percent of the sales revenue. This was due to the increase of sale price of ethanol and soil conditioners.

(2) The Company's gross profit in the first 6-month period of 2024 was Baht 162.36 million, or 11.62 percent of the revenue from sales, which increased from the same period of last year which the gross profit of 10.75 percent of the sales revenue. This was due to the increase of sale price of ethanol and soil conditioners.

NET PROFIT:

Description	Unit	Year 2024	Year 2023	Increase/ (Decrease)	%
2nd quarter (April – June)					
NET PROFIT	Baht Million	25.07	4.21	20.86	495.49
NET PROFIT PER SHARE	Baht per Share	0.025	0.004	0.021	525.00
6-Month Period (January – June)					
NET PROFIT	Baht Million	20.97	59.15	(38.48)	(65.05)
NET PROFIT PER SHARE	Baht per Share	0.021	0.059	(0.038)	(64.41)
<u>Remark</u> Registered par value of Baht 1 per share					

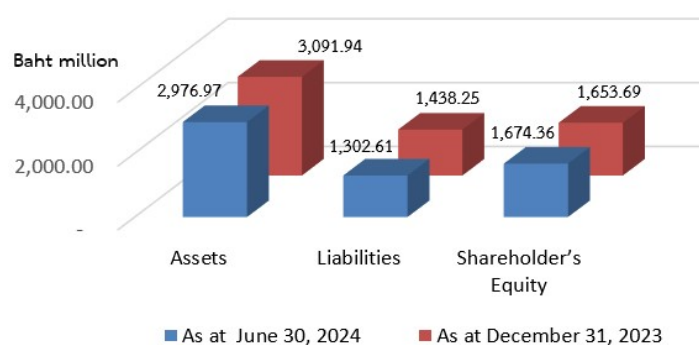
(1) The Company's net profit in the 2nd quarter of 2024 was Baht 25.07 million, increased from the same period last year by Baht 20.86 million or 495.49 percent, generating a net profit at Baht 0.025 per share which increased from the same period last year by Baht 0.021 per share, due to the reasons as described above.

(2) The Company's net profit in the first 6-month period of 2024 was Baht 20.67 million which decreased from the same period last year by Baht 38.48 million or 65.05 percent, which accounts for net profit of Baht 0.021 per share. When compared with the same period last year, the net profit decreased by Baht 0.038 per share. The reason is as described above.

STATEMENT OF FINANCIAL POSITION

FINANCIAL POSITION	Unit	As at June 30, 2024	As at December 31, 2023	Increase (Decrease)	%
Total Assets	Baht Million	2,976.97	3,091.94	(114.97)	(3.72)
Total Liabilities	Baht Million	1,302.61	1,438.25	(135.64)	(9.43)
Total Shareholder's Equity	Baht Million	1,674.36	1,653.69	20.67	1.25
Book Value	Baht per Share	1.67	1.65	0.02	1.21
Remark: Registered per value of Baht 1 per share					

STATEMENT OF FINANCIAL POSITION



ASSETS: The Company's total assets as at June 30, 2024 decreased from the end of year 2023 by Baht 114.97 million or 3.72 percent. The total assets consisting of:

1. Current assets decreased by Baht 36.85 million or 7.55 percent, consisting of: (A) Cash and cash equivalent increased by Baht 2.97 million or 6.30 percent; (B) Trade accounts receivable and other receivables increased by Baht 57.56 million or 32.18 percent; (C) Inventories, most of which were finished goods, decreased by Baht 60.50 million or 27.82 percent; (D) Another current assets decreased by Baht 1.87 million or 20.00 percent, and (E) There is no advances payment for purchase goods.

2. Non-current assets decreased by Baht 78.12 million or 3.00 percent, consisting of: (A) Immovable property for investment increased by Baht 0.91 million or 100 percent; (B) Biological assets increased by Baht 2.22 million or 11.70 percent; (C) Land, plant and equipment decreased by Baht 72.11 million or 2.84 percent; (D) Right-of-use assets decreased by Baht 3.38 million or 16.50 percent, and (E) Another non-current assets most of which were deferred tax assets decreased by Baht 5.76 million or 21.83 percent.

LIABILITIES: The Company's Total Liabilities as at June 30, 2024 decreased from the end of year 2023 totaled 135.64 million or 9.43 percent, consisting of: (A) Short-term loan which was for raw material supply and for working capital, decreased by Baht 56.68 million or 5.76 percent (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, decreased by Baht 1.00 million or 1.45 percent. (C) Long-term loan decreased by Baht 78.70 million or 23.96 percent, and (D) Other liabilities, which are mainly expenses that are not yet due for payment and liabilities under lease agreements, increased by Baht 0.74 million or 1.32 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at June 30, 2024 increased from the end of year 2023 by Baht 20.67 million or 1.25 percent, due to the net profit as described above.

CASH FLOWS

Description	Unit	First six months period (January – June)	
		Year 2024	Year 2023
Cash Flows from Operating Activities	Baht Million	165.33	413.08
Cash Flows used in Investing Activities	Baht Million	(22.78)	(72.15)
Cash Flows used in Financing Activities	Baht Million	(139.58)	(320.18)
Net increase in cash and cash equivalent	Baht Million	2.97	20.75
Cash and cash equivalent at the beginning of the period	Baht Million	47.13	21.94
Cash and Cash Equivalent at the End of the Period	Baht Million	50.10	42.69

1. The Company's net cash from operating activities in the first 6-month period of 2024 totaled Baht 165.33 million, consisting of: (A) Profit before corporate income tax of Baht 26.15 million; (B) Non-cash items such as depreciation; Baht 139.53 million.(C) The operating assets decreased by Baht 28.32 million due to a decrease 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 5.19 million due to an increase in trade accounts payable, other accounts payable and other current liabilities, and (E) An interest received of Baht 0.11 million (F) An interest expense by Baht 33.94 million ; and (G) Corporate income tax payment by Baht 0.03 million.

2. The Company's net cash used in investment activities in the first 6-month period of 2024 totaled Baht 22.78 million, consisting of: (A) The cost of industrial crops planting of Baht 2.36 million and (B) Assets purchasing by Baht 20.42 million.

3. The Company's net cash from financing activities in the first 6-month period of 2024 totaled Baht 139.58 million consisting of: (A) Repayment of short-term loan of Baht 56.83 million, (B) Repayment of long-term loan by Baht 78.81 million and (C) Repayment under financial lease at Baht 3.94 million.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at June 30, 2024 were 0.40 times and 0.26 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, 2024 was 0.78:1 times.

(3) The cash cycle of the Company in the first 6-month period of 2024 was 33.97 days, which increased from the end of year 2023 by 10.18 days. The average debt collection period was at 30 days, which increased from the end of year 2023 by 5.70 days. The average inventory turnover was at 11.28 days, which increased from the end of year 2023 by 4.14 days, and the average debt repayment period was at 7.31 days, decreased from the end of year 2023 by 0.34 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 June 30, 2024, 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 overall demand for ethanol in 2024 will not be lower than in 2023, in line with the increase in fuel demand. This is due to the downward trend in crude oil prices due to higher oil reserves and oil supply from the OPEC+ group. In addition, the Excise Department, which is the agency that regulates ethanol, is considering with relevant agencies to liberalize the sale of ethanol to other industries. This will increase the distribution channels of the Company's products, while ethanol entrepreneurs and the Federation of Thai Industries jointly push and express their stance in supporting E20 as a basic gasoline to increase domestic demand for ethanol and will have a positive impact on the price of agricultural products.

The price of molasses in the 2023/24 production season in the 3rd quarter of 2024 has decreased, but compared to the production cost, it is still higher than cassava. Therefore, the Company considers using cassava as the main raw material.