



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

AIE 258/2019

13 November 2019

Subject: Management's Discussion and Analysis for 3rd quarter ended as of September 30, 2019

Attention: President

The Stock Exchange of Thailand

AI Energy Public Company Limited (AIE) would like to submit the financial statement for 3rd quarter ended as of September 30, 2019, (1 July - 30 September), which details are as following;

Results	3 rd Quarter 2019	3 rd Quarter 2018	Increase (Decrease)	
	<u>Reviewed</u> Million baht	<u>Reviewed</u> Million baht	Million baht	%
Total Revenues	388.41	388.06	0.35	0.09
Cost of Goods Sold and Services	(435.23)	(390.44)	44.79	11.47
Sales & Administration Expenses and Financial Cost and Tax Expense	(33.15)	(20.52)	12.63	61.55
Net Profit (Loss)	(79.97)	(22.90)	57.07	249.21
Earnings per share (Baht per share)	(0.0153)	(0.0040)	0.0113	282.10

Net Profit (Loss)

The Company and subsidiaries (Consolidated) realized net loss of 79.97 million Baht in the 3rd quarter of 2019, and net loss of 22.90 million Baht in the 3rd quarter of 2018. The Company's net loss has increased 57.07 million Baht or 249.21 % from the previous year.

In the 3rd quarter of 2019, The Company (Separate) has realized net loss of 75.95 million Baht compared to net loss of 16.12 million Baht in the 3rd quarter of 2018. The Company's Loss has increased by 59.83 million Baht or 371.15%. Net loss increased due to cost of sale increased by 16.77% from previous year, the Company realized its stock loss of 23.40 million Baht from the recording NRV on 30 September 2019, realized the loss on impairment of



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investment in subsidiary (AIL) of 8.00 million Baht, loss from disposal of assets of 1.28 million Baht, and Tax expense amortization 4.15 million Baht.

Subsidiaries realized net loss of 12.36 million Baht in the 3rd quarter of 2019 and net loss of 6.68 million Baht in the 3rd quarter of 2018, comparing net loss increased by 5.74 million Baht, or 85.48%

Gross Profit (Loss)

The Company has a gross loss from sales of goods and services in the 3rd quarter of 2019 of 55.28 million Baht, increased by 51.23 million Baht, or 1,264.94 % comparing to the 3rd quarter of 2018, which realized loss profit of 4.05 million Baht.

Subsidiaries have realized gross loss from sales of services in the 3rd quarter of 2019 of 6.00 million Baht and have realized loss profit of 0.63 million Baht in the 3rd quarter of 2018, which loss profit increased by 5.38 million Baht

For the following reasons;

The result of the 3rd quarter of 2019 (Unit: Million Baht)	Biodiesel Edible oil By-product	Palm oil refining service	Vessel operating	Total Sale and service	Other income	Total revenues
Revenues from sales and services	373.38	0.05	0.77	374.20	14.22	388.42
Cost of sales and services	(429.28)	(0.04)	(5.91)	(435.23)	0.00	(435.23)
Gross profit (loss) by segment	(55.90)	0.01	(5.14)	61.03	14.22	(46.81)
Segment income (%)	96.13	0.01	0.20	96.34	3.66	100.00
Sales to Cost of Sales (%)	114.97	80.00	767.53	116.31	0.00	112.05



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The result of the 3rd quarter of 2018 (Unit: Million Baht)	Biodiesel Edible oil By-product	Palm oil refining service	Vessel operating	Total Sale and service	Other income	Total revenues
Revenues from sales and services	360.18	11.96	13.63	385.77	2.28	388.05
Cost of sales and services	(367.63)	(8.55)	(14.26)	(390.44)	0.00	(390.44)
Gross profit (loss) by segment	(7.45)	3.41	(0.63)	(4.67)	2.28	(2.39)
Segment income (%)	92.82	3.08	3.51	99.41	0.59	100.00
Sales to Cost of Sales (%)	102.07	71.49	104.62	101.21	0.00	100.62

Compare the results of the operation	Biodiesel Edible oil By-product	Palm oil refining service	Vessel operating	Total Sale and service	Other income	Total revenues
Segment revenue variance (million Baht).	13.20	(11.91)	(12.86)	(11.57)	11.94	0.37
The difference of rates revenue by segment (%)	3.66	(99.58)	(94.35)	(3.00)	522.86	0.09
Sales cost variance (million Baht)	61.65	(8.51)	(8.35)	44.79	0.00	44.79
The rate of sales cost variance as (%)	16.77	(99.53)	(58.56)	11.47	0.00	11.47
The difference of cost rates (sales, Upselling %)	12.90	8.51	662.91	15.10	0.00	11.44

Revenue from Sales and Services

1. Revenue from Sales and Services

The Company and subsidiaries realized the revenue as of the 3rd quarter of 2019 for 374.20 million Baht and in the 3rd quarter of 2018, which realized the revenue of 385.77 million Baht, which decrease by 11.57 million Baht or 3.00 %, where the reasons are summarized as follows;



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1.1 Sales of Biodiesel, Edible oil and By-product

The Company's revenue from sales of biodiesel, Edible Oil and by-products in the 3rd quarter of 2019 has contributed to 96.13% was increased by 13.20 million Baht or 3.66% from the 3rd quarter of 2018 due to the increased in quantities sold and decreased price per unit sold.

The Company's products were sold in the 3rd quarter of 2019 more than those in the 3rd quarter of 2018 by 20.06%. Due to decrease in the average selling price per unit of product by 13.66% in relation to the increasing in sales of biodiesel, Edible Oil and by-products by 3.66% as followed.

- Biodiesel's quantity sold in the 3rd quarter of 2019 has contributed to 78.44% of total sales volume and 80.45% to total sales. Quantity sold was increased by 7.28% when compared to the 3rd quarter of 2018. The Company received bidding award from new customers and the average selling price was decreased by 16.86% due to the decreased in CPO's prices, in relation to the decrease in sales by 10.81%.
- Edible Oil's Quantity sold in the 3rd quarter of 2019 has contributed to 15.77% of total sales volume and 16.55% to total sales. Quantity sold increased by 1536.47% when compared to the 3rd quarter of 2018, the average selling price was decreased by 31.01%, in relation to the decreasing in sales by 3.42%. Company sell only to some industrial customers, which entered into short-term contract with specific quantities and delivery term (Made to Order). This helps the Company to efficiently control inventories aging and procurement that prevent risk from CPO's prices fluctuation.
- Raw materials and By-product's Quantity sold in the 3rd quarter of 2019 has contributed to 5.79% of total sales volume and 3.00% to total sales. Quantity sold decreased by 47.42% when compared to the 3rd quarter of 2018, the average selling price was decrease by 7.97%, in relation to the increased in sales by 35.67%. Sales volume and sales value increased in the 3rd quarter of 2019 arising from the increased in sales of raw materials. The Company will only sell by-products that excess the need of its productions.

1.2 Revenue from Refining Service

The revenue incurred in the 3rd quarter of 2019 was due to the delivery of outstanding inventories from production in Q1, 2019. No refining service of semi-product for use in biodiesel production in the 3rd quarter of 2019. Due to refinery plant maintenance and overhaul, which making the remaining capacity is insufficient for refining service.



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1.3 Sea Freight Service

Revenues from Sea Freight Services operated by the subsidiary (AIL), in the 3rd quarter of 2019 and 3rd quarter of 2018 were 0.77 million Baht and 13.63 million Baht or decreasing by 94.37%, respectively. The decrease in revenue due to AIL has ceased its service to external customer in oversea, and will be used to support operations within the business group.

2. Other Income

The Company and its subsidiaries had revenue from Other Income in the 3rd quarter of 2019 and the 3rd quarter of 2018 of 14.21 million Baht and 2.28 million Baht, which were sales of scrap materials, interest income, gain on changes in fair value of short-term investment, and gain on exchange rates, etc. The other income has increased by 11.93 million Baht, where part of it came from the compensation for damages from insurance company received by the Company for 13.33 million baht.

Cost of Sales and Services

The Company and subsidiaries' cost of sales and services in the 3rd quarter of 2019 and the ratio of cost of sales over total revenue was 116.31 %, in the 3rd quarter of 2018 was 3 million Baht with the ratio of 101.21%, which increased by 11.47%, where the reasons are summarized as follows.

1. Cost of Sales- Biodiesel, Edible Oil and By-products

The Company's ratio of cost of sales to total revenue in the 3rd quarter of 2019 has increased from in the 3rd quarter of 2018 by 114.43%. Due to the price of crude palm oil was continuously decrease within the 3rd quarter of 2019 (20.50-15.00 Baht/Kilogram) in the range of -5.50 Baht/Kilogram, same as in the 3rd quarter of 2018 (23.50 - 19.00 Baht/Kilogram) with the range of -4.50 Baht/Kilogram. In the 2nd and 3rd quarter of 2019, the Company's cost of sales was affected by the ceased of refinery plant for maintenance and overhaul, resulted in a higher cost of sales. Moreover, during 3rd quarter of 2019 the Company has purchased a certain amount of crude palm oil for exporting, but overseas customer has canceled the order suddenly. Given such circumstances and a decline in crude palm oil price, the Company has encountered a difficulty in managing the inventory turnover and recorded stock loss (NRV) from the fair value as of 30 September 2019 for 23.40 million baht. However, by the end of quarter the Company had been managed inventories turnover to not over than 0.70 time or within 45 days.



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- 1.1 In the 3rd quarter of 2019, the Biodiesel's ratio of cost of sales to total revenue was 114.43%, which increased from in the 3rd quarter of 2018 to 99.98% or increased by 14.46%. In the 3rd quarter of 2019, the Company's cost of sales was affected by the ceased of refinery plant for maintenance and overhaul, resulted in a higher cost of sales. But the main reason comes from carrying raw materials more than usual since the mentioned overseas customer suddenly cancel their order, while raw material's price is declined resulting in higher cost of sales.
- 1.2 In the 3rd quarter of 2019, the Edible Oil's ratio of cost of sales to total revenue was 113.69%, which increased from in the 3rd quarter of 2018 to 25.76% the ratio of cost of sales to total revenue was 87.94%, or increased by 29.29%. As a result of the cost of raw materials higher than raw material's market price as discussed above.
- 1.3 In the 3rd quarter of 2019, the Raw material and By-products' ratio of cost of sales to total revenue was decreased from in the 3rd quarter of 2018 to 136.51% or increased by 5.55%. The Company has the cost of sales of raw material was 145.66% or decrease by 6.28%. The company determines the cost of by-product to be in correlation to the market price of the products expected to be sold on the date of production. But when the market price decreases on the trading date, resulting in higher cost of sales than selling price.

2. Cost of Refining Service

The Company had no Refining services in the 3rd quarter of 2019 because it ceases one of its refineries for maintenance and overhaul. But the products that has been postpone to deliver from 1st quarter of 2019 has been delivered within 3rd quarter of 2019 in order to fulfil the contract. The Company had the cost of Refining service to revenue of 79.16%, That is close to the previous service cost rate.

3. Cost of Sea Freight Service

In the 3rd quarter of 2019, AIL had the cost of sea freight services to revenue of 767.53% increase from the 3rd quarter of 2018 of 662.91% by 104.62%. Due to the reduced income, unable to the allocation of fixed costs.



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Selling Expenses

In 3rd quarter of 2019, the Company and subsidiaries' selling expense were 5.33 million Baht and 1.68 million Baht in the 3rd quarter of 2018 which increased by 3.65 million Baht or by 217.32%. There was an increased in transport expenses for 1.55 million Baht. Due to half of the sales were delivered to customer's site rather than ex-work and increased in commission expenses by 2.00 million Baht.

Administration Expenses

The Company and subsidiaries' administration expenses in the 3rd quarter of 2019 was 22.15 million Baht which increased by 3.52 million Baht or by 18.91% from administration expenses the amount of 18.63 million Baht in the 3rd quarter of 2018. There were an increased in various aspects of consultants by 1.70 million Baht and the loss from asset write-off by 1.20 million Baht.

The Company amortizes deferred tax assets as a tax expense of 4.15 million Baht, since it is expected that it might not be used as tax benefit.

Financial Cost

The Company and subsidiaries had the cost of borrowing for working capital from financial institutions in the 3rd quarter of 2019 was 1.47 million Baht.

Please be informed accordingly

Yours Sincerely,

AI Energy Public Company Limited

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