



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

AIE 133/2020

May 14th, 2020

Subject: Management's Discussion and Analysis for 1st quarter ended as of March 31, 2020

Attention: President

The Stock Exchange of Thailand

AI Energy Public Company Limited (AIE) would like to submit the financial statement for 1st quarter ended as of March 31, 2020, (1 January – 31 March), which details are as following;

Results	1 st Quarter 2020 Reviewed Million baht	1 st Quarter 2019 Reviewed Million baht	Increase (Decrease)	
			Million baht	%
Total Revenues	1,843.56	424.76	1,418.80	334.02
Sell and Services	1,842.01	424.02	1,417.99	334.42
Other Income	1.55	0.74	0.81	109.46
Cost of Goods Sold and Services	(1,678.87)	(448.36)	1,230.51	274.45
Gross Profit (Loss)	163.14	(24.34)	187.48	770.25
Sales & Administration Expenses and Financial Cost and Tax Expense	(32.44)	(20.02)	12.42	62.04
Net Profit (Loss)	132.25	(43.62)	175.87	403.19
Earnings per share (Baht per share)	0.025	(0.008)	0.034	403.19

Net Profit (Loss)

The Company and subsidiaries (Consolidated) realized net profit of 132.25 million Baht in the 1st quarter of 2020, and net loss of 43.62 million Baht in the 1st quarter of 2019. The Company's net profit has increased by 175.87 million Baht or 403.19 % from the previous year.



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In the 1st quarter of 2020, The Company (Separate) has realized net profit of 133.26 million Baht compared to net loss of 42.07 million Baht in the 1st quarter of 2019. The Company's net profit has increased by 175.33 million Baht or 416.76%. Due to the increased in biodiesel sold since the Ministry of Energy has increased the proportion of biodiesel blends in diesel mandate from B7 to B10 as standard diesel and be formally enforced nationwide from January 1st, 2020 onwards.

The Company has considered the impairment of investment in subsidiary (AIL) of 5.62 million Baht and recorded the allowance for diminishing value of inventories (Biodiesel) (NRV) as of March 31st, 2020 for 3.35 million Baht. However, the Company aware of the price fluctuation risks, has set the policy determined especially in raw material procurement procedures. The Company attempt to maintain a faster inventory turnover, where raw material (CPO) and product (Biodiesel) were stocked during 15-20 days in the 1st quarter of 2020. Besides, the Company emphasis on efficiently control production yield.

Subsidiaries realized net loss of 6.77 million Baht in the 1st quarter of 2020 and net loss of 8.17 million Baht in the 1st quarter of 2019, comparing decreased by 1.40 million Baht, which the subsidiaries company's operations are mainly supported by the holding company.

Gross Profit (Loss)

The Company has a gross profit from sales of goods and services in the 1st quarter of 2020 of 169.62 million Baht, increased by 192.54 million Baht, or 840.05% comparing to the 1st quarter of 2019, which realized gross loss of 22.92 million Baht.

Subsidiaries have realized gross loss from sales of services in the 1st quarter of 2020 of 4.86 million Baht and have realized gross loss of 1.42 million Baht in the 1st quarter of 2019, which gross loss increased by 3.44 million Baht

For the following reasons;

The result of the 1st quarter of 2020 (Unit: Million Baht)	Biodiesel	Palm oil		Vessel	Total	Other	Total
	Edible oil	refining	Refined	operating	Sale and	income	revenues
	Byproduct	service	Glycerine		service		
Revenues from sales and services	1,820.91	0.00	16.22	4.88	1,842.01	1.55	1,843.56
Cost of sales and services	(1,640.05)	0.00	(25.12)	(10.35)	(1,675.52)	0.00	(1,675.52)



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The result of the 1 st quarter of 2020 (Unit: Million Baht)	Biodiesel	Palm oil		Vessel	Total	Other	Total
	Edible oil	refining	Refined	operating	Sale and	income	revenues
	Byproduct	service	Glycerine		service		
Allowance for devaluation of inventories	(38.50)	0.00	35.15	0.00	(3.35)		(3.35)
Gross profit (loss) by segment	142.36	0.00	26.25	(5.47)	163.14	1.55	164.69
Segment income (%)	98.77	0.00	0.88	0.26	99.92	0.08	100.00
Sales to Cost of Sales (%)	90.07	0.00	154.87	212.09	91.14	0.00	91.07

The result of the 1 st quarter of 2019 (Unit: Million Baht)	Biodiesel	Palm oil		Vessel	Total	Other	Total
	Edible oil	refining	Refined	operating	Sale and	income	revenues
	Byproduct	service	Glycerine		service		
Revenues from sales and services	412.51	5.07	0.00	6.44	424.02	0.74	424.76
Cost of sales and services	(417.53)	(3.72)	0.00	(7.86)	(429.11)	0.00	(429.11)
Allowance for devaluation of inventories	(19.25)	0.00	0.00	0.00	(19.25)	0.00	(19.25)
Gross profit (loss) by segment	(24.27)	1.35	0.00	(1.42)	(24.34)	0.74	(23.60)
Segment income (%)	97.12	1.19	0.00	1.52	99.83	0.17	100.00
Sales to Cost of Sales (%)	101.22	73.37	0.00	122.05	105.74	0.00	105.56

Compare the results of the operation	Biodiesel	Palm oil		Vessel	Total	Other	Total
	Edible oil	refining	Refined	operating	Sale and	income	revenues
	Byproduct	service	Glycerine		service		
Segment revenue variance(million baht)	1,408.40	(5.07)	16.22	(1.56)	1,417.99	0.81	1,418.80
The difference of rates revenue (%)	341.42	(100.00)	100.00	(24.22)	334.42	110.60	334.03
Sales cost variance (million Baht)	1,241.77	(3.72)	(10.03)	2.49	1,230.51	0.00	1,230.51
The rate of sales cost variance as (%)	297.41	(100.00)	100.00	31.68	286.76	0.00	286.76
The difference of cost rates (sales, Upselling %)	(11.15)	(73.37)	154.87	90.04	(14.60)	0.00	(14.49)



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Revenue from Sales and Services

1. Revenue from Sales and Services

The Company and subsidiaries realized the revenue as of the 1st quarter of 2020 for 1,842.01 million Baht which increased by 1,417.99 million Baht or 334.42 % from the 1st quarter of 2019, which realized the revenue of 424.02 million Baht, where the reasons are summarized as follows;

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 1st quarter of 2020 was increased by 1,408.40 million Baht or 341.42% from the 1st quarter of 2019 due to the increased in quantities sold and price per unit sold.

The Company's products were sold in the 1st quarter of 2020 more than those in the 1st quarter of 2019 by 132.96%. Due to increase in the average selling price per unit of product by 163.18% as followed.

- Biodiesel's quantity sold in the 1st quarter of 2020 was increased by 135.11% and average selling price was increased by 112.71% when compared to the 1st quarter of 2019. Due to received more award from new customers and the designated B10 as the country's standard diesel fuel under the government's measurement since December 2019. So, the revenue from sale of biodiesel is increased by 400.09%, the price of crude palm oil (main raw material) in the 1st quarter of 2020 has an average price of 33,900 Baht/ton, which is higher than in the 1st quarter of 2019 with an average price of 16,040 Baht/ton (Source: Department of Internal Trade).
- Edible Oil's Quantity sold in the 1st quarter of 2020 was increased by 8.37% when compared to the 1st quarter of 2019, and the average selling price was increased by 56.74% and total sales of Edible oil increased by 69.85% from the average selling price in 1st quarter of 2019. Currently, Company only sell 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.
- By-product's average selling price in the 1st quarter of 2020 was decreased by 37.32%, while the quantities sold was increased by 429.79% when compared to the 1st quarter of 2019. The sales volumes



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were increased in relation to the increased in volume of biodiesel sold. The Company will only sell by-products that excess the need of its productions.

1.2 Revenue from Refining Service

The Company does not provide refining service revenue in the 1st quarter of 2020 as the Company has increased sales volumes, so not enough capacity to services. In 1st quarter of 2019 revenue from refining service was 5.07 million Baht.

1.3 Refined Glycerine

The Company has started commercial run and sold Refined Glycerine since 4th quarter of 2019. In the 1st quarter of 2020 had revenue of 16.22 million Baht.

1.4 Sea Freight Service

Revenues from Sea Freight Services operated by the subsidiary (AIL), in the 1st quarter of 2020 and 1st quarter of 2019 were 4.88 million Baht and 6.44 million Baht, respectively. The decreased revenue was caused by decrease the Overseas service to external customers and is expected to support operations within the business group.

2. Other Income

Other Income consist of sales of scrap materials, interest income, gain on changes in fair value of short-term investment, and penalties for late payments of trade accounts receivable, etc.

The Company and its subsidiaries had revenue from Other Income in the 1st quarter of 2020 and the 1st quarter of 2019 for 1.55 million Baht and 0.74 million Baht, has increased by 0.81 million Baht.

Cost of Sales and Services

The Company and subsidiaries' cost of sales and services in the 1st quarter of 2020 was 1,675.52 million Baht and the ratio of cost of sales over total revenue was 91.14 %, in the 1st quarter of 2019 was 429.11 million Baht with the ratio of 99.83%, which decreased by 14.60%. The Company has realized the allowance for diminishing value of inventories (NRV) of 3.35 million Baht as of March 31st, 2020 and 19.25 million Baht as of March 31st, 2019 where the reasons are summarized as follows.



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

The Company's ratio of cost of sales to total revenue in the 1st quarter of 2020 has increased from in the 1st quarter of 2019 by 11.15%. As the Company receives more orders and the CPO's price is increasingly adjusted between December 2019 and February 2020 before falling in March 2020. However, the Company had been managed inventories turnover to maximize efficiency.

- In the 1st quarter of 2020, the Biodiesel's ratio of cost of sales to total revenue was decreased from in the 1st quarter of 2019 to 14.80% or decreased by 14.27%. This is due to increased sales volume. As a result, more products can bring the average fixed cost to a decrease. The Company is trying to control the percentage of losses from production more efficiently. The Company manages raw materials (CPO) and product (Biodiesel)'s turnover as fast and as low as the Company can, hence the inventories turnover was between 15-20 days in the 1st quarter of 2020. This was to prevent the Company from the fluctuation in cost of inventory. As of March 31st, 2020, the Company has realized its stock loss of Biodiesel inventories to 41.25 million Baht.
- In the 1st quarter of 2020, the Edible Oil's ratio of cost of sales to total revenue increased from the 1st quarter of 2019 to 11.59% or increased by 13.89%. Where the Company possible to generate profit from this business unit since there were Made to Order that the Company can control margin and CPO's price fluctuation. However, due to the storage of CPO cannot separated, the production costs are still volatile according to the price of the raw material during the changed period. As of March 31st, 2020, the Company has realized its stock loss of Edible Oil inventories to 0.25 million Baht.
- In the 1st quarter of 2020, the By-products' ratio of cost of sales to total revenue was decreased from in the 1st quarter of 2019 to 7.40% or increased by 5.42%. The Company has determined the cost of by-products according to the market selling prices since 2nd quarter of 2019, before March 2020 the market selling price was decreased to lower than cost of by-products which lead to realizes operating loss from sale of by-products. As of March 31st, 2020, the Company has realized its stock loss of By-product inventories to 1.00 million Baht.



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2. Cost of Refining Service

There was no Refining Service transaction in 1st quarter of 2020 since the Company's capacity was fully occupied, no capacity left to fulfil this segment. The refining service's volumes also share the Company's overhead costs, which help to maintain production cost as low as possible. The ratio of the cost of refining services to revenue for RBD Palm oil for biodiesel was 73.37% in the 1st quarter of 2019.

3. Cost of Refined Glycerine

In the 1st quarter of 2020, the Company had the ratio of cost of sales to revenue from Refined Glycerine for 154.86 % since the Company did not sell crude glycerine since the 4th quarter of 2018 in order to use them in Refined Glycerine's production and commissioning. But the oversupply of Crude and Refined Glycerine in the global market, whilst the largest biodiesel production country has announced to increase the proportion of biodiesel blends in diesel in the 4th quarter of 2019 which resulting in overflow of Crude Glycerine into the market and exceed the demand. Hence, the Crude and Refined Glycerine in the world market declined until in the 1st quarter of 2020. Since, the COVID-19 pandemic situation the demand for Refined Glycerine has significantly increased. The market price of Refined Glycerine is doubled its price since March 2020. Therefore, the Company has decreased the realization of the allowance for diminishing value of crude glycerine from 35.15 million Baht as of December 31st, 2019 to balance at 4.85 million Baht as of March 31st, 2020.

4. Cost of Sea Freight Service

The subsidiary (AIL), the cost of sea freight services increased by 81.62%, in the 1st quarter of 2020 from the 1st quarter of 2019. Due to the decreased of service to external customers and support for the business group.

Selling Expenses

The Company and its subsidiaries' selling expense mostly consists of domestic freight (In-land). In the 1st quarter of 2020 was 9.78 million Baht, which increased by 5.35 million Baht or 120.64% from 4.43 million Baht. In the 1st quarter of 2019. Due to the increased in quantities sold.



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Administration Expenses

The Company and subsidiaries' administration expenses in the 1st quarter of 2020 was 19.21 million Baht which increased by 3.64 million Baht from administration expenses the amount of 15.57 million Baht in the 1st quarter of 2019, The increase in administrative expenses : loss on disposal of assets increased by 1.75 million Baht and consultant fee increased by 1.78 million Baht.

Financial Cost and Tax Expense

The Company and subsidiaries have financial cost in the 1st quarter of 2020 of 3.23 million Baht, which was the interest from the loaned from the related-parties that used as working capital, and there was no financial cost in the 1st quarter of 2019.

In the 1st quarter of 2020, the Company and subsidiaries had tax expense of 0.22 million Baht and 0.02 million Baht in the 1st quarter of 2019.

Please be informed accordingly

Yours Sincerely,

AI Energy Public Company Limited

Miss Pimwan Thareratanavibool

Managing Director

Corporate Secretary Tel: 034-877-485-8 Ext. 500

Email: ir@aienergy.co.th