



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

AIE 174/2020

August 14th, 2020

Subject: Management's Discussion and Analysis for 2nd quarter ended as of June 30, 2020

Attention: President

The Stock Exchange of Thailand

AI Energy Public Company Limited (AIE) would like to submit the financial statement for 2nd quarter ended as of June 30, 2020, (1 April – 30 June), which details are as following;

Results	2 nd quarter 2020		2 nd quarter 2019		YoY		1 st quarter 2020		QoQ	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Sale	1,036.71	99.53%	446.31	99.22%	590.40	132.29%	1,837.13	99.74%	(800.42)	(43.57%)
Service	4.90	0.47%	3.53	0.78%	1.38	39.00%	4.88	0.26%	0.02	0.47%
Total Revenues	1,041.61	100.00%	449.83	100.00%	591.78	131.56%	1,842.01	100.00%	(800.39)	(43.45%)
Cost of Goods Sold	(994.78)	(95.96%)	(413.84)	(92.73%)	580.94	140.38%	(1,665.17)	(90.64%)	(670.39)	(40.26%)
NRV	44.15	4.26%	(18.49)	(4.14%)	62.64	338.78%	(3.35)	(0.18%)	47.50	1,417.91%
Cost of Service	(7.10)	(144.85%)	(7.39)	(209.53%)	0.29	3.91%	(10.35)	(212.07%)	3.25	31.38%
Gross Profit (Loss)	83.89	8.05%	10.12	2.25%	73.77	729.24%	163.14	8.86%	(79.25)	(48.58%)
Other Income	1.48	0.14%	0.73	0.16%	0.75	102.33%	1.55	0.08%	(0.08)	(4.96%)
SG&A	(34.84)	(3.34%)	(27.63)	(6.14%)	7.20	26.06%	(28.99)	(1.57%)	(5.85)	(20.18%)
Tax Expense	(2.12)	(0.20%)	(0.14)	(0.03%)	1.98	1,412.14%	(3.46)	(24.47%)	(1.34)	(38.73%)
Net Profit (Loss)	48.41	4.65%	(16.93)	(3.76%)	65.34	385.95%	132.25	7.18%	(83.84)	(63.40%)
Earnings per share (Baht per share)	0.0093		(0.0032)		0.0125	385.95%	0.0253		(0.02)	0.0253
Net Profit (Loss) After adjusted EBITDA	104.53	10.03%	3.22	0.72%	101.30	3,145.11%	163.95	8.90%	(59.42)	(36.24%)



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Net Profit (Loss)

The Company and subsidiaries (Consolidated) realized net profit of 48.41 million Baht in the 2nd quarter of 2020, and net loss of 16.93 million Baht in the 2nd quarter of 2019. The Company's net profit has increased by 65.34 million Baht or 385.95 % from the previous year. When compared the 2nd quarter of 2020 to the net profit of 132.25 million Baht in the 1st quarter of 2020, the net profit decreased by 83.84 million Baht or decreased 63.40%. In the 2nd quarter of 2020, the Company realized the after adjusted EBIDA of 104.53 million Baht, which increased from the 2nd quarter of 2019 by 101.30 million Baht or 3,145.11%. To compare with 1st quarter of 2020, which had the after adjusted EBITDA of 163.95 million Baht, decreased by 59.42 million Baht or 36.24%.

In the 2nd quarter of 2020, The Company (Separate) has realized net profit of 49.56 million Baht compared to net loss of 12.21 million Baht in the 2nd quarter of 2019. The Company's net profit has increased by 61.77 million Baht or 505.83%. 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. On the other hand, the Company has recorded the allowance for diminishing value of inventories (Biodiesel) (NRV) as of June 30, 2020 for 3.20 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 2nd quarter of 2020. Besides, the Company emphasis on efficiently control production yield. Also, the Company has considered to write-off short-term debt that loans to a subsidiary (AIL) of 8.50 million Baht since AIL has continuously incurred losses and unable to make profit. Therefore, the Company and its subsidiary decided to cease AIL 'operation and unable to re-pay short-term debt to the Company.

Subsidiaries realized net loss of 1.08 million Baht in the 2nd quarter of 2020 and net loss of 9.02 million Baht in the 2nd quarter of 2019, comparing decreased by 7.94 million Baht, which the subsidiaries company's operations are ceased their business operations.



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Gross Profit (Loss)

The Company has a gross profit from sales of goods and services in the 2nd quarter of 2020 of 83.89 million Baht, increased by 73.77 million Baht, or 729.04%, where comparing to the 2nd quarter of 2019, which realized gross loss of 10.12 million Baht.

Subsidiaries have realized gross loss from sales of services in the 2nd quarter of 2020 of 2.20 million Baht and have realized gross loss of 3.86 million Baht in the 2nd quarter of 2019, which gross loss decreased by 1.66 million Baht as follows;

The result of the 2 nd quarter of 2020 (Unit: Million Baht)	Biodiesel	Palm oil	Refined	Vessel	Total	Other	Total
	Edible oil Byproduct	refining service	Glycerine	operating	Sale and service	income	revenues
Revenues from sales and services	993.67	0.00	43.04	4.90	1,041.61	1.48	1,043.09
Cost of sales and services	(954.63)	0.00	(40.15)	(7.10)	(1,001.88)	0.00	(1,001.88)
Allowance for devaluation of inventories	39.95	0.00	4.20	0.00	44.15		44.15
Gross profit (loss) by segment	78.99	0.00	7.09	(2.20)	83.88	1.48	85.36
Segment income (%)	95.26	0.00	4.13	0.47	99.86	0.14	100.00
Sales to Cost of Sales (%)	96.07	0.00	93.29	144.90	91.95	0.00	91.82

The result of the 2 nd quarter of 2019 (Unit: Million Baht)	Biodiesel	Palm oil	Refined	Vessel	Total	Other	Total
	Edible oil Byproduct	refining service	Glycerine	operating	Sale and service	income	revenues
Revenues from sales and services	446.31	0.00	0.00	3.53	449.84	0.73	450.57
Cost of sales and services	(413.84)	0.00	0.00	(7.39)	(421.23)	0.00	(421.23)
Allowance for devaluation of inventories	(18.49)	0.00	0.00	0.00	(18.49)	0.00	(18.49)
Gross profit (loss) by segment	13.98	0.00	0.00	(3.86)	10.12	0.73	10.85
Segment income (%)	99.06	0.00	0.00	0.78	99.84	0.16	100.00
Sales to Cost of Sales (%)	92.72	0.00	0.00	209.35	97.75	0.00	97.59



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)	547.36	0.00	43.04	1.37	591.77	0.75	592.52
The difference of rates revenue (%)	122.64	0.00	100.00	38.81	131.55	102.74	131.50
Sales cost variance (million Baht)	482.35	0.00	35.95	(0.29)	518.01	0.00	518.01
The rate of sales cost variance as (%)	116.55	0.00	100.00	(3.92)	122.98	0.00	122.98
The difference of cost rates (sales, Upselling %)	3.35	0.00	93.29	(64.45)	(5.80)	0.00	(5.78)

Revenue from Sales and Services

1. Revenue from Sales and Services

The Company and subsidiaries realized the revenue as of the 2nd quarter of 2020 for 1,041.61 million Baht which increased by 591.77 million Baht or 131.55 % from the 2nd quarter of 2019, which realized the revenue of 449.84 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 2nd quarter of 2020 was increased by 547.36 million Baht or 122.64% from the 2nd quarter of 2019 due to the increased in quantities sold and price per unit sold.

The Company's products were sold in the 2nd quarter of 2020 more than those in the 2nd quarter of 2019 by 69.47%. Due to increase in the average selling price per unit of product by 73.89% as followed.

- Biodiesel's quantity sold in the 2nd quarter of 2020 was increased by 70.77% and average selling price was increased by 35.00% when compared to the 2nd quarter of 2019. Due to received more bidding's awards from new customers and the designated B10 as the country's standard diesel fuel. So, the revenue from sale of biodiesel is increased by 130.54%, where the price of crude palm oil (main raw material) in the 2nd quarter of 2020 has an average price of 22,000 Baht/ton, which is higher than in the 2nd quarter of 2019 with an average price of 17,200 Baht/ton (Source: Department



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of Internal Trade). The selling price of biodiesel increased in line with the increased in crude palm oil price compared with the previous year. In 2nd quarter of 2020, biodiesel sales volume dropped 20% from the 1st quarter of 2020 due to the impact of the COVID-19 virus epidemic, the logistic and transportation have decreased. As a result, the overall diesel consumption of the country in the 2nd quarter of 2020 decreased. However, in the 2nd quarter of 2020, the Company was affected by the fluctuation of crude palm oil prices, which decreased by 33.75% compared to the 1st quarter of 2020.

- Edible Oil's Quantity sold in the 2nd quarter of 2020 was increased by 205.98% when compared to the 2nd quarter of 2019, and the average selling price was increased by 65.41% and total sales of Edible oil increased by 406.13% from the average selling price in 2nd 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 2nd quarter of 2020 was decreased by 40.70%, the average selling price decreased 56.10% according to the market price, while the quantities sold was increased by 35.09% when compared to the 2nd quarter of 2019. The sales volumes 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 have refining service revenue since the 2nd quarter of 2019 because have not enough capacity to services.

1.3 Refined Glycerine

In the 2nd quarter of 2020 had revenue of 43.04 million Baht increased from the 1st quarter of 2020 by 26.82 million Baht or 165.00% from an increase in Refined Glycerine market price and increase sales volume due to demand in several industries during COVID-19 pandemic.



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1.4 Sea Freight Service

Revenues from Sea Freight Services operated by the subsidiary (AIL), in the 2nd quarter of 2020 and 2nd quarter of 2019 were 4.90 million Baht and 3.53 million Baht. AIL ceased its business operation and sold its last vessel to other buyer for 20 million Baht since May 21st, 2020.

2. Other Income

Other Income consist of sales of scrap materials, interest income, gain on changes in fair value of short-term investment, etc.

The Company and its subsidiaries had revenue from Other Income in the 2nd quarter of 2020 and the 2nd quarter of 2019 for 1.48 million Baht and 0.73 million Baht, has increased by 0.75 million Baht.

Cost of Sales and Services

The Company and subsidiaries' cost of sales and services in the 2nd quarter of 2020 was 1,001.88 million Baht and the ratio of cost of sales over total revenue was 91.95 %, in the 2nd quarter of 2019 was 421.23 million Baht with the ratio of 97.75%, which decreased by 5.80%. In the 2nd quarter of 2020, there was a reversal of the allowance for diminishing value of inventories from the previous quarter by 44.15 million Baht and considering the allowance for diminishing value of inventories (NRV) as of June 30, 2020 in the amount of 3.20 million Baht and as of June 30, 2019 in amount of 18.49 million Baht. Summary according to the following segments;

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

The Company's ratio of cost of sales to total revenue in the 2nd quarter of 2020 has increased from in the 2nd quarter of 2019 by 3.35%. Although, the Company has received the increased orders but the price of crude palm oil prices fell sharply during March - June 2020. However, the Company had been managed inventories turnover to maximize efficiency.

- In the 2nd quarter of 2020, the Biodiesel's ratio of cost of sales to total revenue was increased from in the 2nd quarter of 2019 to 4.52% or increased by 4.91%. Although, the increased sales volume would help reduce the average fixed costs and the Company tries to control the loss percentage from production to be more efficient but the crude palm oil price has decreased between the end of March - June 2020 (28.00 - 20.00 Baht / kg.), the difference of -8.00 Baht / kg. However, the Company also



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focus on managing raw materials and merchandise to have a faster turnover rate and keep the stock between 15-20 days in order to avoid increasing cost of sales from stock of products too much. Because the fluctuation of palm oil prices is still an important factor in the Company's profitability. As of June 30, 2020, the Company has considered the allowance for diminishing value of inventories (NRV) in the biodiesel by the amount of 2.90 million Baht. While in the 2nd quarter of 2019, the price of crude palm oil increased continuously during the quarter (15.00 - 20.00 Baht / kg.), the price difference of +5.00 Baht / kg. and decreased at the end of the quarter. The company has recorded the allowance for diminishing value of inventories as of June 30, 2019 to 18.49 million Baht.

- In the 2nd quarter of 2020, the Edible Oil's ratio of cost of sales decreased from the 2nd quarter of 2019 to 22.03% or decreased by 22.96%. Because the Company participated in a pre-bid competition during the period of high crude palm oil price. Therefore, the Company has realized higher profit margin when the price of crude palm oil has a lower market price on the day of manufacture and delivery. The Company possible to generate profit from this business unit since there were Made to Order so 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 June 30, 2020, the Company has realized the allowance for diminishing value of inventories of Edible Oil of 0.06 million Baht.
- In the 2nd quarter of 2020, the By-products' ratio of cost of sold was increased from in the 2nd quarter of 2019 to 48.96% or increased by 50.26%. The Company has determined the cost of by-products according to the market selling prices since 2nd quarter of 2019 to 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. Although, in the 2nd quarter of 2020, the market price of by-products is increased but the sales contract has been made in advance so the selling price is not according to the current market price.



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2. Cost of Refining Service

There was no Refining Service transaction since 2nd quarter of 2019, 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.

3. Cost of Refined Glycerine

In the 2nd quarter of 2020, the Company had the ratio of cost of sales to revenue from Refined Glycerine for 93.29 %. Since the COVID-19 pandemic the demand for Refined Glycerine has significantly increased. The market price of Refined Glycerine is doubled its price since March 2020. Consequently, in the 2nd quarter of 2020, the Company has recorded the reversing of the allowance for diminishing value of inventories in the Refined Glycerine of 4.20 million Baht as of March 31st, 2020 and 0.65 million Baht as of June 30, 2020.

4. Cost of Sea Freight Service

The subsidiary (AIL), the cost of sea freight services decreased by 64.45% in the 2nd quarter of 2020 from the 2nd quarter of 2019. In the 2nd quarter of 2020 at 144.90 % and the 2nd quarter of 2019 at 209.35%. The continuously realized losses is the main reason that AIL has ceased its business operation.

Selling Expenses

The Company and its subsidiaries' selling expense mostly consists of domestic freight (In-land). In the 2nd quarter of 2020 was 9.11 million Baht, which increased by 2.66 million Baht or 41.16% from 6.46 million Baht in the 2nd quarter of 2019. The ratio to revenues from the sale of 0.87% and 1.43% respectively. Due to the increased in quantities sold and the terms of delivery agreed.

Administration Expenses

The Company and subsidiaries' administration expenses in the 2nd quarter of 2020 was 25.72 million Baht which increased by 4.55 million Baht from administration expenses the amount of 21.18 million Baht in the 2nd quarter of 2019, a ratio to revenues from the sale of 2.47% and 4.70 %, respectively.

The major administrative expenses that increased the expenses in the 2nd quarter of 2020 were write-off the short-term loans to AIL of 8.50 million Baht, who has continuously incurred losses from its operation and unable



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to make profit, hence AIL sold its last vessel and ceased its operation. So, there was a reasonably believe that it was impossible for AIL to re-pay short-term loans to the Company.

Financial Cost and Tax Expense

The Company and subsidiaries have financial cost in the 2nd quarter of 2020 and in the 2nd quarter of 2019 of 1.99 million Baht and 0.10 million Baht, respectively. The Company and its Subsidiaries loan from related parties to use as working capital.

In the 2nd quarter of 2020, the Company and subsidiaries had tax expense of 0.13 million Baht and 0.04 million Baht in the 2nd quarter of 2019.

Please be informed accordingly

Yours Sincerely,

AI Energy Public Company Limited

Miss Pimwan Thareratanavibool

Managing Director

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