



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

AIE 016/2021

February 18, 2021

**Subject:** Management’s Discussion and Analysis for the year 2020 ended as of December 31, 2020

**Attention:** President

The Stock Exchange of Thailand

AI Energy Public Company Limited (“the Company”) would like to submit the financial statement for Year 2020 ended as of December 31, 2020, (1 January – 31 December), which details are as following

| Results  | Year 2020       |                | Year 2019       |                | YoY             |                  |
|--|-----------------|----------------|-----------------|----------------|-----------------|------------------|
|  | Million Baht    | %              | Million Baht    | %              | Million Baht    | %                |
| Sale   | 5,504.30        | 99.82%         | 1,964.18        | 99.17%         | 3,540.12        | 180.23%          |
| Service  | 9.78            | 0.18%          | 16.49           | 0.83%          | (6.71)          | (40.69%)         |
| <b>Total Revenues</b>                          | <b>5,514.08</b> | <b>100.00%</b> | <b>1,980.67</b> | <b>100.00%</b> | <b>3,533.41</b> | <b>178.39%</b>   |
| Cost of Goods Sold                             | (4,928.18)      | (89.53%)       | (1,972.43)      | (100.42%)      | 2,955.75        | 149.85%          |
| NRV  | 44.00           | 0.80%          | (44.00)         | (2.24%)        | 88.00           | 200.00%          |
| Cost of Service                                | (17.44)         | (178.39%)      | (29.81)         | (180.80%)      | 12.36           | 41.48%           |
| <b>Gross Profit (Loss)</b>                     | <b>612.45</b>   | <b>11.11%</b>  | <b>(65.56)</b>  | <b>(3.31%)</b> | <b>678.02</b>   | <b>1,034.13%</b> |
| Other Income                                   | 4.95            | 0.09%          | 16.52           | 0.83%          | (11.57)         | (70.03%)         |
| SG&A   | (122.13)        | (2.21%)        | (99.34)         | (5.02%)        | 22.78           | 22.93%           |
| Tax Expense                                    | (6.76)          | (0.12%)        | (8.11)          | (0.41%)        | (1.35)          | (16.63%)         |
| <b>Net Profit (Loss)</b>                       | <b>488.52</b>   | <b>8.86%</b>   | <b>(156.50)</b> | <b>(7.90%)</b> | <b>645.01</b>   | <b>412.16%</b>   |
| Earnings per share (Baht per share)            | 0.0934          |                | (0.0299)        |                | 0.1233          | 412.16%          |
| <b>Net Profit (Loss) After adjusted EBITDA</b> | <b>608.81</b>   | <b>11.04%</b>  | <b>(61.96)</b>  | <b>(3.13%)</b> | <b>670.76</b>   | <b>1,082.66%</b> |

**Net Profit (Loss)**

The Company and subsidiaries (Consolidated) realized net profit of 488.52 million Baht in 2020, and net loss of 156.50 million Baht in 2019. The Company’s net profit has increased by 645.01 million Baht or 412.16 % from the previous year. In 2020, the Company realized the after adjusted EBIDA of 608.81 million Baht, which increased from in 2019 by 670.76 million Baht or 1082.66%.



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In 2020, The Company (Separate) has realized net profit of 496.76 million Baht compared to net loss of 148.86 million Baht in 2019. The Company's net profit has increased by 645.62 million Baht or 433.70%. Due to the increased in biodiesel sold after the increased in the proportion of biodiesel blends in diesel mandate from B7 to B10 as standard diesel and be formally enforced nationwide from January 1<sup>st</sup>, 2020 onwards. As a result, in 2020, the Company had sales volume of biodiesel over 120 million liters and has registered as an oil trader under Section 7 of the Fuel Trade Act B.E. 2543 since the September 9, 2020. 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 between 20-30 days in 2020. Also, the Company emphasis on efficiently control production yield.

Subsidiaries realized net loss of 13.86 million Baht in 2020 and net loss of 28.39 million Baht in 2019, comparing decreased by 14.53 million Baht. The continuously realized losses is the main reason which the subsidiaries company's operations are ceased their business operations.

### **Gross Profit (Loss)**

The Company has a gross profit from sales of goods and services in 2020 of 621.12 million Baht, increased by 673.82 million Baht, or 1,278.53%, where comparing to in 2019, which realized loss of 52.70 million Baht.

Subsidiaries ceased its operations and have realized loss of 6.95 million Baht in 2020 and realized loss of 13.02 million Baht in 2019 as follows;

| <b>The result of 2020</b><br><b>(Unit: Million Baht)</b> | Biodiesel<br>Edible oil<br>Byproduct | Palm oil<br>refining<br>service | Refined<br>Glycerine | Vessel<br>operating | Total<br>Sale and<br>service | Other<br>income | Total<br>revenues |
|--|--------------------------------------|---------------------------------|----------------------|---------------------|------------------------------|-----------------|-------------------|
| Revenues from sales and services                         | 5,363.58                             | 0.00                            | 140.72               | 9.78                | 5,514.08                     | 4.95            | 5,519.03          |
| Cost of sales and services                               | (4,799.36)                           | 0.00                            | (128.82)             | (17.44)             | (4,945.62)                   | 0.00            | (4,945.62)        |
| Allowance for devaluation of inventories                 | 4.00                                 | 0.00                            | 40.00                | 0.00                | 44.00                        |                 | 44.00             |
| Gross profit (loss) by segment                           | 568.22                               | 0.00                            | 51.90                | (7.66)              | 612.46                       | 4.95            | 617.41            |
| Segment income (%)                                       | 97.18                                | 0.00                            | 2.55                 | 0.18                | 99.91                        | 0.09            | 100.00            |
| Sales to Cost of Sales (%)                               | 89.41                                | 0.00                            | 63.12                | 178.32              | 88.89                        | 0.00            | 88.81             |



| <b>The result of 2019</b><br><br><b>(Unit: Million Baht)</b> | Biodiesel<br>Edible oil<br>Byproduct | Palm oil<br>refining<br>service | Refined<br>Glycerine | Vessel<br>operating | Total<br>Sale and<br>service | Other<br>income | Total<br>revenues |
|--|--------------------------------------|---------------------------------|----------------------|---------------------|------------------------------|-----------------|-------------------|
| Revenues from sales and services                             | 1,956.11                             | 7.01                            | 1.06                 | 16.49               | 1,980.67                     | 16.52           | 1,997.19          |
| Cost of sales and services                                   | (1,966.46)                           | (4.74)                          | (1.23)               | (29.81)             | (2,002.24)                   | 0.00            | (2,002.24)        |
| Allowance for devaluation of inventories                     | (4.00)                               | 0.00                            | (40.00)              | 0.00                | (44.00)                      | 0.00            | (44.00)           |
| Gross profit (loss) by segment                               | (14.35)                              | 2.27                            | (40.17)              | (13.32)             | (65.57)                      | 16.52           | (49.05)           |
| Segment income (%)   | 97.94                                | 0.35                            | 0.05                 | 0.83                | 99.17                        | 0.83            | 100.00            |
| Sales to Cost of Sales (%)                                   | 100.73                               | 67.62                           | 3,889.62             | 180.78              | 103.31                       | 0.00            | 102.46            |

| <b>Compare the results of the operation</b>    | Biodiesel<br>Edible oil<br>Byproduct | Palm oil<br>refining<br>service | Refined<br>Glycerine | Vessel<br>operating | Total<br>Sale and<br>service | Other<br>income | Total<br>revenues |
|--|--------------------------------------|---------------------------------|----------------------|---------------------|------------------------------|-----------------|-------------------|
| Segment revenue variance (million Baht)        | 3,407.47                             | (7.01)                          | 139.66               | (6.71)              | 3,533.41                     | (11.57)         | 3,521.84          |
| The difference of rates revenue (%)            | 174.20                               | (100.00)                        | 13,175.47            | (40.69)             | 178.39                       | (70.04)         | 176.34            |
| Sales cost variance (million Baht)             | 2,824.90                             | (4.74)                          | 47.59                | (12.37)             | 2,855.38                     | 0.00            | 2,855.38          |
| The rate of sales cost variance as (%)         | 143.36                               | (100.00)                        | 115.43               | (41.50)             | 139.54                       | 0.00            | 139.54            |
| The difference of cost rates (sales, Upsell %) | (11.33)                              | (67.62)                         | (3,826.50)           | (2.45)              | (14.42)                      | 0.00            | (13.64)           |

## **Revenue**

### **1. Revenue from Sales and Services**

The Company and subsidiaries realized the revenue as of 2020 for 5,514.08 million Baht which increased by 3,533.41 million Baht or 178.39 % from 2019, which realized the revenue of 1,980.67 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 2020 was increased by 3,407.47 million Baht or 174.20% from 2019 due to the increased in quantities sold and price per unit sold.



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The Company's products were sold in 2020 more than those in 2019 by 81.91% and the increased in the average selling price per unit of product by 102.53% as followed;

- Biodiesel's quantity sold in 2020 was increased by 96.32% and average selling price was increased by 53.55% when compared to 2019. Due to receiving more bidding's awards from new customers and the B10 mandate as the country's standard diesel fuel. So, the revenue from sale of biodiesel is increased by 201.45%. However, growth in biodiesel consumption has not been as predicted as the impact of the substantial resurgence of the COVID-19 pandemic in late 2020 has resulted in a decline in travelling and transportation, despite the holidays and traveling season. Nevertheless, the average selling price of biodiesel has increased significantly in accordance to the price of crude palm oil as the main raw material. Due to heavy rains and flooding in many areas in early Q4 2020, together with the government's measures; the subsidy to crude palm oil and crude palm kernel oil export which led to the domestic crude palm oil stock level of 200,000 tons in 2020, causing the price of crude palm oil to rise, with the average price of 28,040 Baht/ton in 2020, higher than that of the average price of 18,230 Baht/ton in 2019. Baht /ton (Source: Department of Internal Trade). Hence, the selling price of biodiesel was increased in relation to crude palm oil price compared to the previous year.
- Edible Oil's Quantity sold in 2020 was decreased by 17.91% when compared to in 2019, and the average selling price was increased by 55.09% from the average selling price in 2019 and total sales of edible oil increased by 27.32%. Currently, the Company only sell to some industrial customers but in some quarters did not receive award from bidding, so the sales volume decreased. The Company 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 revenue in 2020 was increased by 25.31%, the average selling price was decreased by 25.17% according to the market price, while the quantities sold was increased by 67.46% when compared to 2019. The sales volumes were increased in relation to the increased in biodiesel sold. The Company will only sell by-products that excess the need of its biodiesel and refined glycerine productions.



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AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

## **1.2 Revenue from Refining Service**

The Company does not have refining service revenue since the 2<sup>nd</sup> quarter of 2019 because it has not enough capacity to services.

## **1.3 Refined Glycerine**

In 2020, the Company had revenue of 140.72 million Baht which increased by 139.66 million Baht or 13,175.47% from 2019, which realized the revenue of 1.06 million Baht from the increased in sales volume by 13,023.43 %. The Company has started selling refined glycerine in the 4<sup>th</sup> quarter of 2019 onwards.

## **1.4 Sea Freight Service**

AI Logistic Company Limited (“AIL”), the Company’s subsidiary, has ceased its operation and in the process of liquidation, whose had sold its last vessel to other buyer who is not related-party for 20 million Baht in May 21, 2020<sup>1</sup>.

## **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 2020 and 2019 for 4.95 million Baht and 16.52 million Baht, where other income in 2019 was mainly came from insurance compensation of 13.33 million baht.

## **Cost of Sales and Services**

The Company and subsidiaries’ cost of sales and services in 2020 was 4,901.62 million Baht and the cost of sales over total revenue ratio was 88.89 %, in 2019 was 2,046.24 million Baht with the ratio of 103.31%, which

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<sup>1</sup> According to the Board of Director’s resolution No.5/2020 on May 18, 2020, the transaction is considered as the disposition of assets. The transaction size which is calculated by total value of consideration paid or received criteria, the size of the transaction is equal to 0.95 percent which is calculated by the financial statement as of March 31<sup>st</sup>, 2020. Regarding, calculation the disposition of asset is under 15 percent of total assets, the Company was not necessity to disclose the disposition information under the Notification of the Capital Market Supervisory Board No. Tor.Jor. 20/2551 and other related regulations.



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decreased by 14.42%. In 2020, there was a reversing of the allowance for diminishing value of inventories from the previous year by 44.00 million Baht and there was no considering of the allowance for diminishing value of inventories (NRV) as of December 31, 2020. Summary according to the following segments;

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

The Company's cost of sales to total revenue ratio in 2020 has decreased from in 2019 by 11.33%. This is due to the higher products sold than previous year. The Company was possible to allocate fixed costs efficiently. Although, the price of crude palm oil was fluctuating during certain periods, the Company still maintains a policy to manage the inventories' optimization efficiently which can be classified by product groups as follows;

- In 2020, the Biodiesel's ratio of cost of sales to total revenue was decreased from 2019 to 11.10% or decreased by 11.07%. The increased in sales volume was efficiently reduced the average fixed costs. The Company also achievably controlled the production's loss. In addition, the price of crude palm oil has steadily increased in the 4<sup>th</sup> quarter of 2020 and the Company was realized a reversing of the allowance for the value of inventories (NRV) in biodiesel of 4 million Baht from the previous year. While in 2019, the situation of crude palm oil prices continued to decline causing the cost of goods sold to be higher than the selling price in the market. However, the Company has emphasised on managing raw materials and inventory to have a faster turnover rate and keep the inventories between 20-30 days in order to avoid the risk from the fluctuation of palm oil prices, which is an important factor of the Company's profitability.
- In 2020, the edible oil's cost of sales ratio was decreased from 2019 to 11.17% or decreased by 11.48%. The Company was possible to generate profit from this business unit since there were Made to Order. Which is managing the raw material used to produce edible oil to be profitable. But the storage of crude palm oil cannot be stored separately. As a result, the production cost fluctuates according to the raw material price during the changing period.
- In 2020, the by-products' cost of sales ratio was decreased from 2019 to 1.04% or decreased by 0.92%. The Company has determined the cost of by-products according to the market selling prices. The market price was continuously decreased which led to higher cost of by-products since 2<sup>nd</sup> quarter of 2019 to March 2020, where the market price was increased but still cannot reverse to profit in 2020.



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## 2. Cost of Refining Service

There was no refining service transaction since 2<sup>nd</sup> quarter of 2019 due to the Company's capacity was fully occupied which impossible to fulfil this segment. The refining service's volumes used to share the Company's fixed costs, which help to maintain production cost as low as possible.

## 3. Cost of Refined Glycerine

In 2020, the Company had the cost of sales to revenue ratio from refined glycerine for 63.12 %. The Company was realized the profit since March 2020, where the market price of refined glycerine had increased. Also, the Company has realized the reversing of the allowance for diminishing value of inventories (NRV) in the refined glycerine of 40.00 million Baht form 2019.

## 4. Cost of Sea Freight Service

The continuously realized losses is the main reason that AIL has ceased its business operation and in the process of liquidation.

## Selling Expenses

The Company and its subsidiaries' selling expense are mostly consists of domestic freight (In-land), which was realized 34.51 million Baht in 2020, increased by 14.88 million Baht or 75.83 % from 19.63 million Baht in the 2019. The ratio to revenues from the sale of 0.63% and 0.98% respectively. Due to the increased in quantities sold and the terms of delivery agreed.

## Administration Expenses

The Company and subsidiaries' administration expenses in 2020 was 87.62 million Baht which increased by 9.52 million Baht from 78.10 million Baht in 2019, a ratio to revenues from the sale of 1.59% and 03.91 %, respectively. The expenses increased from the loss from the disposal of assets increased by 7.06 million baht and the allowance for doubtful debt accounts of 2.00 million baht.

In 2019, the subsidiary (AIL) has realized a loss from impairment of marine vessels of 1.62 million baht.



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### **Financial Cost and Tax Expense**

The Company and subsidiaries have financial cost in 2020 and in 2019 of 6.44 million Baht and 3.71 million Baht, respectively. The Company and its Subsidiaries loans from financial institutions and from related parties to support working capital.

In 2020, the Company and subsidiaries had tax expense of 0.32 million Baht and 4.41 million Baht in 2019.

Please be informed according

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](mailto:ir@aienergy.co.th)