



บริษัท เอไอ เอนเนอร์จี จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

AIE 182/2019

13 August 2019

Subject: Management's Discussion and Analysis for 2nd quarter ended as of June 30, 2019

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, 2019, (1 April – 30 June), which details are as following;

Results	2 nd Quarter 2019	2 nd Quarter 2018	Increase (Decrease)	
	Reviewed Million baht	Reviewed Million baht	Million baht	%
Total Revenues	450.56	382.22	68.34	17.88
Cost of Goods Sold and Services	(439.72)	(360.55)	79.17	21.96
Sales & Administration Expenses and Financial Cost and Tax Expense	(27.77)	(23.88)	3.89	16.29
Net Profit (Loss)	(16.93)	(2.20)	14.73	669.55
Earnings per share (Baht per share)	(0.0032)	(0.0005)	0.0027	540.00

Net Profit (Loss)

The Company and subsidiaries (Consolidated) realized net loss of 16.93 million Baht in the 2nd quarter of 2019, and net loss of 2.20 million Baht in the 2nd quarter of 2018. The Company's net loss has increased 14.73 million Baht or 669.55 % from the previous year.

In the 2nd quarter of 2019, The Company (Separate) has realized net loss of 12.21 million Baht compared to net profit of 1.36 million Baht in the 2nd quarter of 2018. The Company's net profit has decreased by 13.57 million Baht or 998.60%. Net profit decreased due to cost of sale increased by 1.44% from previous year, the Company realized its stock loss of 1.99 million Baht from the recording NRV on 30 June 2019, realized the loss on impairment of investment



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in subsidiary (AIL) of 4.30 million Baht, loss from disposal of assets of 2.23 million Baht, and increased in selling expenses of 2.75 million Baht.

Subsidiaries realized net loss of 9.02 million Baht in the 2nd quarter of 2019 and net loss of 3.56 million Baht in the 2nd quarter of 2018, comparing net loss increased by 5.46 million Baht, or 153.37%

Gross Profit (Loss)

The Company has a gross profit from sales of goods and services in the 2nd quarter of 2019 of 13.98 million Baht, decreased by 5.48 million Baht, or 28.16% comparing to the 2nd quarter of 2018, which realized gross profit of 19.46 million Baht.

Subsidiaries have realized gross loss from sales of services in the 2nd quarter of 2019 of 3.86 million Baht and have realized gross profit of 0.01 million Baht in the 2nd quarter of 2018, which gross profit decreased by 3.96 million Baht

For the following reasons;

The result of the 2nd 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	446.31	0.00	3.53	449.83	0.75	450.59
Cost of sales and services	(432.33)	0.00	(7.39)	(439.72)	0.00	(439.72)
Gross profit (loss) by segment	13.98	0.00	(3.86)	10.12	0.75	10.87
Segment income (%)	99.05	0.00	0.78	99.83	0.17	100.00
Sales to Cost of Sales (%)	96.87	0.00	209.53	97.75	0.00	97.59

The result of the 2nd 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	352.85	13.57	13.68	380.11	2.12	382.22
Cost of sales and services	(336.71)	(10.25)	(13.58)	(360.55)	0.00	(360.55)



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The result of the 2nd 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
Gross profit (loss) by segment	16.14	3.32	0.10	19.56	2.12	21.68
Segment income (%)	92.32	3.55	3.58	99.45	0.55	100.00
Sales to Cost of Sales (%)	95.43	75.54	99.25	94.85	0.00	94.33

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).	93.46	(13.57)	(10.16)	69.73	(1.36)	68.36
The difference of rates revenue by segment (%)	26.49	(100.00)	(74.23)	18.34	(64.38)	17.89
Sales cost variance (million Baht)	95.62	(10.25)	(6.19)	79.17	0.00	79.17
The rate of sales cost variance as (%)	28.40	(100.00)	(45.60)	21.96	0.00	21.96
The difference of cost rates (sales, Upselling %)	1.44	(75.54)	110.27	2.90	0.00	3.26

Revenue from Sales and Services

1. Revenue from Sales and Services

The Company and subsidiaries realized the revenue as of the 2nd quarter of 2019 for 449.83 million Baht which increased by 69.73 million Baht or 18.34 % from the 2nd quarter of 2018, which realized the revenue of 380.11 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 2019 was increased by 93.46 million Baht or 26.49% from the 2nd quarter of 2018 due to the increased in quantities sold and decreased price per unit sold.



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The Company's products were sold in the 2nd quarter of 2019 more than those in the 2nd quarter of 2018 by 34.20%. Due to decrease in the average selling price per unit of product by 5.75% in relation to the increasing in sales of biodiesel, Edible Oil and by-products by 26.48% as followed.

- Biodiesel's quantity sold in the 2nd quarter of 2019 has contributed to 81.07% of total sales volume of biodiesel, Edible Oil and by-products and 85.99% to total sales of biodiesel, Edible Oil and by-products. Quantity sold was increased by 33.17% when compared to the 2nd quarter of 2018. The Company received bidding award from new customers and the average selling price was decreased by 4.57% due to the decreased in CPO's prices, in relation to the increasing in sales by 27.08%.
- Edible Oil's Quantity sold in the 2nd quarter of 2019 has contributed to 3.19% of total sales volume of biodiesel, Edible Oil and by-products and 3.60% to total sales of biodiesel, Edible Oil and by-products. Quantity sold increased by 7.71% when compared to the 2nd quarter of 2018, the average selling price was decreased by 10.33%, 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 2nd quarter of 2019 has contributed to 15.74% of total sales volume of biodiesel, Edible Oil and by-products and 10.41% to total sales of biodiesel, Edible Oil and by-products. Quantity sold increased by 47.42% when compared to the 2nd quarter of 2018, the average selling price was decreased by 7.97%, in relation to the increasing in sales by 35.67%. Sales volume and sales value increased in the 2nd 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

- No refining service of semi-product for use in biodiesel production in the 2nd 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 2nd quarter of 2019 and 2nd quarter of 2018 were 3.53 million Baht and 13.68 million Baht or decreasing by 74.23%, 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 2nd quarter of 2019 and the 2nd quarter of 2018 of 0.73 million Baht and 2.12 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 decreased by 1.39 million Baht.

Cost of Sales and Services

The Company and subsidiaries' cost of sales and services in the 2nd quarter of 2019 was 439.69 million Baht and the ratio of cost of sales over total revenue was 97.91 %, in the 2nd quarter of 2018 was 360.55 million Baht with the ratio of 95.39%, which increased by 2.52%, 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 2nd quarter of 2019 has increased from in the 2nd quarter of 2018 by 1.44%. Due to the price of crude palm oil was continuously increased in the 2nd quarter of 2019 (15.00-20.00 Baht/Kilogram) in the range of +5.00 Baht/Kilogram, same as in the 2nd quarter of 2018 (18.50 – 23.50 Baht/Kilogram) with the range of +5.00 Baht/Kilogram. In the 2nd 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. However, the Company had been managed inventories turnover rate not over than 0.70 time or within 45 days.

- 1.1 In the 2nd quarter of 2019, the Biodiesel's ratio of cost of sales to total revenue was 96.84%, which increased from in the 2nd quarter of 2018 to 2.24% or increased by 2.37%. In the 2nd 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.



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- 1.2 In the 2nd quarter of 2019, the Edible Oil's ratio of cost of sales to total revenue was 95.95%, which increased from in the 2nd quarter of 2018 to 1.36% or increased by 1.43%. where the Company possible to generate gross profit from this business unit since there were Made to Order that the Company can control margin and CPO's price fluctuation.
- 1.3 In the 2nd quarter of 2019, the Raw material and By-products' ratio of cost of sales to total revenue was decreased from in the 2nd quarter of 2018 to 5.73% or increased by 5.55%. Since the Company has the cost of sales of raw material was 91.37%, while the cost of sales of by-product was 106.10%, as a result the gross profit can be made. The Company has determined the cost of by-products according to the market selling prices.

2. Cost of Refining Service

The Company had no Refining services in the 2nd quarter of 2019 because it ceases one of its refineries for maintenance and overhaul.

3. Cost of Sea Freight Service

In the 2nd quarter of 2019, AIL had the cost of sea freight services to revenue of 209.53% increase from the 2nd quarter of 2018 of 99.25% by 110.27. Due to the reduced income, unable to the allocation of fixed costs.

Selling Expenses

In 2nd quarter of 2019, the Company and subsidiaries' selling expense were 6.46 million Baht and 1.63 million Baht in the 2nd quarter of 2018 which increased by 4.83 million Baht or by 296.80% which consist of domestic freight of 3.04 million Baht, which increased by 2.10 million Baht from 0.94 million Baht in previous year, respectively. Due to most of the sales in the 2nd quarter of 2019 were delivered to customer's site rather than ex-work. Besides, there was an increased in selling expenses in the 2nd quarter of 2019 for 2.75 million Baht.



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Administration Expenses

The Company and subsidiaries' administration expenses in the 2nd quarter of 2019 was 21.18 million Baht which increased by 0.22 million Baht or by 1.03% from administration expenses the amount of 20.96 million Baht in the 2nd quarter of 2018.

Financial Cost

The Company and subsidiaries had the cost of borrowing for working capital from financial institutions in the 2nd quarter of 2019 and 2nd quarter of 2018 of 0.10 million Baht and 0.08 million Baht, respectively.

Please be informed accordingly

Yours Sincerely,

AI Energy Public Company Limited

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