



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

AIE 146/2021

August 13, 2021

**Subject:** Management's Discussion and Analysis for 2<sup>nd</sup> quarter ended as of June 30, 2021

**Attention:** President

The Stock Exchange of Thailand

AI Energy Public Company Limited (AIE) would like to submit the financial statement for 2<sup>nd</sup> quarter ended as of June 30, 2021, (1 April - 30 June), which details are as following;

Results	2 <sup>nd</sup> quarter 2021		2 <sup>nd</sup> quarter 2020		YoY		1 <sup>st</sup> quarter 2021		QoQ		
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%	
Sale	1,404.30	100.00%	1,036.71	99.53%	367.59	35.46%	1,455.25	100.00%	(50.95)	(3.50%)	
Service	0.00	0.00%	4.90	0.47%	(4.90)	(100.00%)	0.00	0.00%	0.00	0.00%	
<b>Total Revenues</b>	<b>1,404.30</b>	<b>100.00%</b>	<b>1,041.61</b>	<b>100.00%</b>	<b>362.69</b>	<b>34.82%</b>	<b>1,455.25</b>	<b>100.00%</b>	<b>(50.95)</b>	<b>(3.50%)</b>	
Cost of Goods Sold	(1,283.14)	(91.37%)	(950.63)	(91.70%)	332.51	34.98%	(1,319.00)	(90.64%)	(35.87)	(2.72%)	
NRV	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	
Cost of Service	0.00	0.00%	(7.10)	(144.85%)	(7.10)	(100.00%)	0.00	0.00%	0.00	0.00%	
<b>Gross Profit (Loss)</b>	<b>121.17</b>	<b>8.63%</b>	<b>83.89</b>	<b>8.05%</b>	<b>37.28</b>	<b>44.44%</b>	<b>136.25</b>	<b>9.36%</b>	<b>(15.08)</b>	<b>(11.07%)</b>	
Other Income	1.40	0.10%	1.48	0.14%	(0.07)	(4.81%)	0.93	0.06%	0.47	50.64%	
SG&A	(50.37)	(3.59%)	(34.84)	(3.34%)	15.53	44.58%	(26.79)	(1.84%)	(23.58)	(88.00%)	
Tax Expense	4.36	0.31%	(2.12)	(0.20%)	(6.47)	(305.76%)	0.25	(8.05%)	(4.11)	1,670.73%	
<b>Net Profit (Loss)</b>	<b>76.56</b>	<b>5.45%</b>	<b>48.41</b>	<b>4.65%</b>	<b>28.15</b>	<b>58.15%</b>	<b>110.64</b>	<b>7.60%</b>	<b>(34.08)</b>	<b>(30.80%)</b>	
Earnings per share (Baht per share)	0.0150		0.0090		0.0060		0.0211		(0.01)		(29.06%)
<b>Net Profit (Loss) After adjusted EBITDA</b>	<b>124.66</b>	<b>8.88%</b>	<b>77.45</b>	<b>7.44%</b>	<b>47.21</b>	<b>60.96%</b>	<b>140.59</b>	<b>9.66%</b>	<b>(15.92)</b>	<b>(11.33%)</b>	



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### **Net Profit (Loss)**

The Company and subsidiaries (Consolidated) realized net profit of 76.56 million Baht in the 2<sup>nd</sup> quarter of 2021, and net profit of 48.81 million Baht in the 2<sup>nd</sup> quarter of 2020. The Company's net profit has increased by 28.15 million Baht or 58.15 % from the previous year. When compared the 2<sup>nd</sup> quarter of 2021 to the net profit of 110.64 million Baht in the 1<sup>st</sup> quarter of 2021, the net profit decreased by 34.08 million Baht or decreased 30.80%. In the 2<sup>nd</sup> quarter of 2021, the Company realized the after adjusted EBIDA of 124.66 million Baht, which increased from the 2<sup>nd</sup> quarter of 2020 by 47.21 million Baht or 60.96%. To compare with the 1<sup>st</sup> quarter of 2021, which had the after adjusted EBITDA of 140.59 million Baht, decreased by 15.92 million Baht or 11.33%.

In the 2<sup>nd</sup> quarter of 2021, The Company (Separate) has realized net profit of 80.25 million Baht compared to net profit of 49.56 million Baht in the 2<sup>nd</sup> quarter of 2020. The Company's net profit has increased by 30.69 million Baht or 49.52%. 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 1<sup>st</sup>, 2020 onwards. On the other hand, the Company has not recorded the allowance for diminishing value of inventories (Biodiesel) (NRV) as of June 30, 2021 but it 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 2<sup>nd</sup> quarter of 2021. Besides, the Company emphasis on efficiently control production yield.

Subsidiaries realized net loss of 3.68 million Baht in the 2<sup>nd</sup> quarter of 2021 and net loss of 1.08 million Baht in the 2<sup>nd</sup> quarter of 2020, which both subsidiaries company's operations are ceased. One of the subsidiaries; AI Logistics Company Limited (“AIL”) had already registered its dissolution with the Department of Business Development Ministry of Commerce on July 7, 2021 and currently in its liquidation process.

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



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The Company has a gross profit from sales of goods and services in the 2<sup>nd</sup> quarter of 2021 of 123.17 million Baht, increased by 35.09 million Baht, or 40.76%, where comparing to the 2<sup>nd</sup> quarter of 2020, which realized gross profit of 86.08 million Baht.

The subsidiaries' operations are ceased, and subsidiaries have realized gross loss from sales of services in the 2<sup>nd</sup> quarter of 2020 of 2.20 million Baht, as follows;

The result of the 2 <sup>nd</sup> quarter of 2021 (Unit: Million Baht)	Biodiesel	Vessel	Total Sale	Other	Total
	Edible oil	operating	and service	income	revenues
	Refined glycerine				
	Byproduct				
Revenues from sales and services	1,404.30	0.00	1,404.30	1.40	1,405.70
Cost of sales and services	(1,283.14)	0.00	(1,283.14)	0.00	(1,283.14)
Allowance for devaluation of inventories	0.00	0.00	0.00		0.00
Gross profit (loss) by segment	121.16	0.00	121.16	1.40	122.56
Segment income (%)	99.90	0.00	99.90	0.10	100.00
Sales to Cost of Sales (%)	91.37	0.00	91.37	0.00	91.28
The result of the 2 <sup>nd</sup> quarter of 2020 (Unit: Million Baht)	Biodiesel	Vessel	Total Sale	Other	Total
	Edible oil	operating	and service	income	revenues
	Refined glycerine				
	Byproduct				
Revenues from sales and services	1,036.71	4.90	1,041.61	1.48	1,043.09
Cost of sales and services	(994.78)	(7.10)	(1,001.88)	0.00	(1,001.88)
Allowance for devaluation of inventories	44.15	0.00	44.15	0.00	44.15
Gross profit (loss) by segment	86.08	(2.20)	83.88	1.48	85.36
Segment income (%)	99.39	0.47	99.86	0.14	100.00
Sales to Cost of Sales (%)	91.70	144.90	91.95	0.00	91.82



Compare the results of the operation	Biodiesel	Vessel	Total Sale	Other	Total
	Edible oil	operating	and service	income	revenues
	Refined glycerine				
	Byproduct				
Segment revenue variance (million baht)	367.59	(4.90)	362.69	(0.08)	362.61
The difference of rates revenue (%)	35.46	(100.00)	34.82	(5.41)	34.76
Sales cost variance (million Baht)	332.51	(7.10)	325.41	0.00	325.41
The rate of sales cost variance as (%)	33.43	(100.00)	32.48	0.00	32.48
The difference of cost rates (sales, Upselling %)	(0.32)	(144.90)	(0.57)	0.00	(0.54)

## Revenue from Sales and Services

### 1. Revenue from Sales and Services

The Company and subsidiaries realized the revenue as of the 2<sup>nd</sup> quarter of 2021 for 1,404.30 million Baht which increased by 362.69 million Baht or 34.82 % from the 2<sup>nd</sup> quarter of 2020, which realized the revenue of 1,041.61 million Baht, where the reasons are summarized as follows;

#### 1.1 Sales of Biodiesel, Edible oil, Refined Glycerine, Raw material and By-product

The Company's revenue from sales of biodiesel, Edible Oil and by-products in the 2<sup>nd</sup> quarter of 2021 was increased by 367.59 million Baht or 35.46% from the 2<sup>nd</sup> quarter of 2020 due to the increased in price per unit sold.

The Company's products were sold in the 2<sup>nd</sup> quarter of 2021 less than in the 2<sup>nd</sup> quarter of 2020 by 14.95% but the average selling price per unit of product was increased by 59.27% as the following reasons.

- Biodiesel's quantity sold in the 2<sup>nd</sup> quarter of 2021 was decreased by 6.06% and the average selling price was increased by 46.18% when compared to the 2<sup>nd</sup> quarter of 2020, where the price of CPO in the 2<sup>nd</sup> quarter of 2021 has an average price of 33,750 Baht/ton, which is higher than in the 2<sup>nd</sup> quarter of 2020 with an average price of 22,000 Baht/ton (Source: Department of Internal Trade). Therefore, the selling price of biodiesel increased in line with the increased in CPO price compared with the previous year. Due to the nation's stock of CPO had fell from 520,000 tons in the 2<sup>nd</sup> quarter of 2020 to 300,000 tons in the 2<sup>nd</sup> quarter of 2021 and palm fruit crops were unexpectedly



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undersupply around the end of 2<sup>nd</sup> quarter of 2021. Moreover, the biodiesel sales volume has dropped due to the impact of the COVID-19 epidemic. As a result, the overall diesel consumption of the nation in the 2<sup>nd</sup> quarter of 2021 has decreased.

- Edible Oil's Quantity sold in the 2<sup>nd</sup> quarter of 2021 was decreased by 31.91% when compared to the 2<sup>nd</sup> quarter of 2020, and the average selling price was increased by 15.20% and total sales of Edible oil decreased by 38.56% from 2<sup>nd</sup> quarter of 2020. Currently, Company only sells to some industrial customers and chained restaurants who were affected from COVID-19 pandemic and were forced to close their dine-in services by the government orders. 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.
- Refined Glycerine, in the 2<sup>nd</sup> quarter of 2021 had revenue increased from the 2<sup>nd</sup> quarter of 2020 by 152.08% from an increase in Refined Glycerine selling price by 91.18% and increase sales volume by 31.85% due to the underproduction worldwide and higher demand internationally and locally.
- Raw material and By-product's total sales in the 2<sup>nd</sup> quarter of 2021 was decreased by 38.56% and quantity sold was decreased by 91.80% compared to the 2<sup>nd</sup> quarter of 2020. The Company will only sell by-products that excess the need of its biodiesel and refined glycerine productions.

## 1.2 Revenue from Refining Service

The Company had no refining service revenue since the 2<sup>nd</sup> quarter of 2019 because there was not enough capacity to services. However, the Company is in the process of re-considering manufacturing services in the next quarter.

## 2. Other Income

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

The Company and its subsidiaries had revenue from Other Income in the 2<sup>nd</sup> quarter of 2021 and the 2<sup>nd</sup> quarter of 2020 for 1.40 million Baht and 1.48 million Baht, has decreased by 0.08 million Baht.



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### Cost of Sales and Services

The Company and subsidiaries' cost of sales and services in the 2<sup>nd</sup> quarter of 2021 was 1,283.14 million Baht and the ratio of cost of sales over total revenue was 91.37 %, in the 2<sup>nd</sup> quarter of 2020 was 1,001.88 million Baht with the ratio of 91.95%, which decreased by 0.58%. There is no allowance for diminishing value of inventories (NRV) as of June 30, 2021. But in the 2<sup>nd</sup> quarter of 2020 there was a reversal of the allowance for diminishing value of inventories from the previous quarter by 44.15 million Baht Summary according to the following segments;

#### **1. Cost of Sales- Biodiesel, Edible Oil, Refined Glycerine, Raw material and By-product**

The Company's ratio of cost of sales to total revenue in the 2<sup>nd</sup> quarter of 2021 has decreased from the 2<sup>nd</sup> quarter of 2020 by 0.32%. However, the Company still maintain inventories turnover to maximize efficiency.

- In the 2<sup>nd</sup> quarter of 2021, the Biodiesel's ratio of cost of sales to total revenue was decreased from the 2<sup>nd</sup> quarter of 2020 to 2.32% or decreased by 2.40%. The Company has achievably controlled the production's loss in order to compensate the increased in the fixed costs. The Company has emphasised on managing raw materials and inventory to have a faster turnover rate and keep the inventories between 15-20 days in order to avoid the risk from the fluctuation of palm oil prices, which is an important factor of the Company's profitability. There is no allowance for diminishing value of inventories (NRV) as of June 30, 2021 but there was recorded the allowance for diminishing value of inventories (NRV) in the biodiesel by the amount of 2.90 million Baht as of June 30, 2020.
- In the 2<sup>nd</sup> quarter of 2021, the Edible Oil's ratio of cost of sales increased from the 2<sup>nd</sup> quarter of 2020 to 21.06% or increased by 28.50%. The Company participated in the pre-bid price of CPO lower than CPO price at the time of delivery. As a result, the difference in raw material prices to the sales price at the date of manufacture and delivery of product to decrease. 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, the storage of CPO cannot separate, the production costs are still volatile according to the price of the raw material during the changed period.



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- In the 2<sup>nd</sup> quarter of 2021, Refined Glycerine's ratio of cost of sold was decrease from the 2<sup>nd</sup> quarter of 2020 by 36.86% or decrease by 39.52%. Due to the epidemic situation of the COVID-19 virus around the world, there is a shortage of refined glycerine in the market. The market leaders and largest refined glycerine producers' countries were lock down, resulting in a significant reduction in raw materials used in production to the market. In addition, the domestic market has limited availability of refined glycerine as raw materials from biodiesel production have decreased in accordance with the volume of biodiesel production. Therefore, the selling price of refined glycerine remains continued to have high prices.
- In the 2<sup>nd</sup> quarter of 2021, the Raw material and By-products' ratio of cost of sold was decreased from in the 2<sup>nd</sup> quarter of 2020 to 49.38% or decreased by 33.74%. In the 2<sup>nd</sup> quarter of 2021, the Company exported the semi-refined palm oil to foreign markets and was sold at profitable margin. Also, the Company has determined the cost of by-products according to the market selling prices. Although, in the 2<sup>nd</sup> quarter of 2020, the cost of goods sold higher than the selling prices due to the market price of products was decreased continuously but the sales contract has been made in advanced.

## 2. Cost of Refining Service

There was no Refining Service transaction since 2<sup>nd</sup> 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. Due to the decrease in sales volume, the Company is considering providing the manufacturing service to biodiesel producer customer again in the next quarter.

## Selling Expenses

The Company and its subsidiaries' selling expense mostly consists of domestic freight (In-land). In the 2<sup>nd</sup> quarter of 2021 was 8.93 million Baht, which decreased by 0.18 million Baht or 1.98% from 9.11 million Baht in the 2<sup>nd</sup> quarter of 2020. The ratio to revenues from the sale of 0.64% and 0.94% respectively. Due to the decreased in quantities sold and the terms of delivery agreed.



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### **Administration Expenses**

The Company and subsidiaries' administration expenses in the 2<sup>nd</sup> quarter of 2021 was 19.15 million Baht which decreased by 6.57 million Baht from administration expenses the amount of 25.72 million Baht in the 2<sup>nd</sup> quarter of 2020, a ratio to revenues from the sale of 1.36% and 2.47 %, respectively.

The major administrative expenses that increased the expenses in the 2<sup>nd</sup> 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 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.

In the 2<sup>nd</sup> quarter of 2021, the Company had expected credit losses from the allowance for doubtful accounts of a debtor of the biodiesel product of 22.29 million baht

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

The Company and subsidiaries have financial cost in the 2<sup>nd</sup> quarter of 2021 and in the 2<sup>nd</sup> quarter of 2020 of 0.05 million Baht and 1.99 million Baht, respectively. The Company and its Subsidiaries loan from related parties to use as working capital.

In the 2<sup>nd</sup> quarter of 2021, the Company and subsidiaries had tax income of 4.40 million Baht and tax expense of 0.13 million Baht in the 2<sup>nd</sup> quarter of 2020.

Please be informed accordingly

Yours Sincerely,

AI Energy Public Company Limited

Miss Pimwan Thareratanavibool

Managing Director

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