



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

No.AIE 115/2018

May 14, 2018

Subject: Management's Discussion and Analysis for 1st quarter ended as of March 31, 2018

Attention: President

The Stock Exchange of Thailand

AI Energy Public Company Limited ("the Company") would like to submit the company and its subsidiaries financial statement for 1st quarter ended as of March 31, 2018, (1 January – 31 March), which details are as following;

Results	1 st Quarter 2018	1 st Quarter 2017	Increase (Decrease)	
	Reviewed	Reviewed	Million baht	%
Total revenue	444.51	501.45	(56.94)	(11.36)
Cost of sales and services	(428.19)	(577.56)	(149.37)	(25.86)
Sales and Administration Expenses and Financial cost	(21.41)	(22.66)	(1.25)	(5.52)
Net Income (Loss) of the Company	(6.22)	(98.65)	92.43	93.69
Earnings (loss) per share (Baht per share)	(0.0014)	(0.0218)	0.0204	93.58

Net profit

The Company and subsidiaries realized net loss of the 1st quarter ended as of March 31, 2018, of THB 6.22 million, decreased for THB 92.43 million or 93.69% comparing to the 1st quarter ended as of March 31, 2017, which the realized net loss of THB 98.65 million, for the following reasons;



บริษัท เอไอ เอนเนอร์จี จำกัด (มหาชน)

AI Energy Public Company Limited

Revenue

The Company and subsidiaries realized the revenue as of the 1st quarter 2018, of THB 444.51 million which decreased by THB 56.94 million or 11.36% from the 1st quarter 2017, which realized the revenue THB 501.45 million, where the reasons are summarized as follows.

The result of 1 st quarter of 2018 (Unit: million baht) .	Biodiesel	Palm oil	Vessel operating	Other income	Total revenue
	Edible oil By-product	refining service			
Revenues from sales and services	411.73	16.65	13.68	2.45	444.51
Cost of sales and services	(402.34.)	(12.15)	(13.70).	0.00	(428.19.)
Gross profit (loss) by segment	9.39	4.50	(0.02).	2.45	16.32
Segment income (%)	92.63	3.74	3.08	0.55	100.00
Sales Sales cost rates. (%)	97.72	72.97	100.15	0.00	96.33

The result of 1 st quarter of 2017 (Unit: million baht) .	Biodiesel	Palm oil	Vessel operating	Other income	Total revenue
	Edible oil By-product	refining service			
Revenues from sales and services	477.94	7.00	12.94	3.57	501.45
Cost of sales and services	(553.97)	(8.67)	(14.92)	0.00	(577.56)
Gross profit (loss) by segment	(76.03)	(1.67)	(1.98)	3.57	(76.11)
Segment income (%)	95.31	1.40	2.58	0.71	100.00
Sales Sales cost rates. (%)	115.91	123.86	115.30	0.00	115.18

Compare the results of the operation.	Biodiesel	Palm oil	Vessel operating	Other income	Total revenue
	Edible oil By-product	refining service			
Segment revenue variance (million baht).	(66.21)	9.65	0.74	(1.12)	(56.94)
The difference of rates revenue by segment (%)	(13.85)	137.86	5.72	(31.37)	(11.36)
Sales cost variance (million baht)	(151.63)	3.48	(1.22)	0.00	(149.37)
The rate of sales cost variance as (%)	(27.37)	40.14	(8.18)	0.00	(25.86)
The difference of cost rates (sales, Upselling%)	(18.19)	(50.89)	(15.15)	0.00	(18.85)



บริษัท เอไอ เอนเนอร์จี จำกัด (มหาชน)

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1. Sales of Biodiesel and By-product

The Company, with revenue from sales of biodiesel and by-products for the 1st quarter of 2018 and 2017 were THB 411.73 million and THB 477.94 million, decreased by THB 66.21 million or 13.85%. Represent a significant portion of the total revenues of 92.63% and 95.31%.

- In 1st quarter of 2018, Biodiesel sold 17,490 tons at average selling price of THB 23,540 / ton.
- In 1st quarter of 2017, Biodiesel sold 15,790 tons at average selling price of THB 31,830 / ton.

The Company's Biodiesel were sold in 1st quarter of 2018 more than 1st quarter of 2017 by 1,700 tons or increase by 10.77%. Due to the existing customer had ordered one-time contract of 2 million liters of Biodiesel lease the company's storage tanks in order to stock in accordingly to the policy. Since the price of crude palm oil had slump in 1st quarter of 2017, where there was a difference of average selling decreased by THB 8,290 / ton or 26.04 %

2. Refining Service

Revenues from Refining Service to total revenue for the 1st quarter 2018, and 2017 were 3.74% and 1.40% respectively.

The 1st Quarter of 2018 revenue 16.65 million baht, 1st Quarter of 2017 revenue 7.00 million baht. The 1st quarter of 2018 increased from the 1st quarter of 2017 9.65 million or increase 137.86%

Revenue from Refining services are divided into 2 groups of customer base;

- Refining Service for semi-product for use in biodiesel production. In 1st quarter of 2018 was THB12.11 million In 1st quarter of 2017 was THB 2.13 million. The increased revenue resulting from the demand for raw material of biodiesel production from customers.
- Refining Service for edible oil, In 1st quarter of 2018 was THB 4.54 million while 1st quarter 2017 was THB 4.87 million.

3. Sea Freight Service

Revenues from Sea Freight Services, operated by the subsidiary (AIL), to total revenue for the 1st quarter of 2018 and 2017 were 3.08% and 2.58% respectively.

In the 1st quarter of 2018, revenue from Sea Freight Services was THB 13.68 million and in the 1st quarter of 2017 was THB 12.94 million, which provided services to overseas customers same as previous year.

4. Other income

The Company and its subsidiaries' other income consist of Rental storage tanks , sales of scrap materials , interest income , Gain on changes in fair value of investment , and Profit from Exchange rates, etc.

Other income to total revenue for the 1st quarter of 2018 and 2017 were 0.71% and 0.55% respectively.

In the 1st quarter of 2018, the Company and its subsidiaries had revenue from Other Income of THB 2.45 million and in the 1st quarter of 2017 of THB 3.45 million.



บริษัท เอไอ เอนเนอร์จี จำกัด (มหาชน)

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Cost of sales and service

The Company and subsidiaries' cost of sales and services as of the 1st quarter of 2018 was THB 428.19 million and the ratio of cost of sales over total revenue was 96.33%, the 1st quarter of 2017 was THB 557.56 million with the ratio of 115.18%, which decreased by 18.85%, where the reasons are summarized as follows.

1. Cost of Sales - Biodiesel and By-product

In 1st quarter of 2018, cost of sale was THB 402.34 million, with ratio cost of sale to revenue was 97.72%.

In 1st quarter of 2017, cost of sale was THB 553.97 million, with ratio cost of sale to revenue was 115.91%.

Comparing the 1st quarter of 2018 to the 1st quarter of 2017, the ratio cost of sale to revenue has decreased by 18.19%. Due to the announcements of Biodiesel blend mandate from **B7** to **B3** since August 2016 and then changed again in November 2016 from **B3** to **B5**, while the price of crude palm oil price continuously decreased and lead raw material's cost higher than the selling price. Eventhough, the Company has tried to manage the inventory turnover and the period of sale as the following;

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1. Ratio inventory turnover (times)												
Year2017	0.48	0.58	0.78	0.88	1.11	1.12	1.02	1.10	1.40	0.78	0.82	0.90
Year2018	0.85	1.08	0.85	-	-	-	-	-	-	-	-	-
2. Ratio sales turnover (days)												
Year2017	63	52	38	34	27	27	29	27	21	39	37	33
Year2018	35	28	35	-	-	-	-	-	-	-	-	-

The price of crude palm oil for Bangkok	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Average
Year 2016	29.63	30.10	29.02	32.26	33.93	35.50	37.49	34.00	31.05	30.00	29.63	30.80	31.95
Year 2017	31.40	31.97	28.97	26.91	26.77	23.84	23.05	22.13	22.11	21.59	20.73	19.12	24.88
Year 2018	19.36	21.28	20.37	19.00	-	-	-	-	-	-	-	-	20.00

Reference : Department of internal trade, Ministry of Commerce April 2018

The Company has set allowance for devaluation of inventories for THB 8.63 million as of 1st quarter of 2017, and as of 1st quarter of 2018, was THB 10.23 million. Since the crude palm oil price is decreased continuously, according to the data from Department of internal trade in the above table.



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

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2. Cost of Refining Service

- In 1st quarter of 2018, cost of refining service was THB 12.15 million, with ratio cost of service to revenue was 72.97%.
- In 1st quarter of 2017, cost of refining service was THB 8.67 million, with ratio cost of service to revenue was 123.86%.

The ratio of cost of refining service to revenue was decreased by 40.14% from the 1st quarter of 2018 to 2017. The refining service's volumes also share the Company's overhead costs, which help to maintain production cost as low as possible. which the company is still profitable to supply regularly because there is no risk of fluctuations in the price of raw materials.

3. Cost of Sea Freight Service

- In 1st quarter of 2018, cost of service was THB 13.70 million, with ratio cost of service to revenue was 10.15%.
- In 1st quarter of 2017, cost of service was THB 14.92 million, with ratio cost of service to revenue was 115.30%.

The ratio of cost of service to revenue from sea freight service was decreased by THB 1.22 million or 8.18% in the 1st quarter of 2018 from the 1st quarter of 2017.

Selling expenses

The Company and its subsidiaries' selling expense consist of domestic freight and custom charge. As of the 1st quarter of 2018 was THB 1.81 million, which decreased by THB 0.23 million or 11.27% from THB 2.04 million in the 1st quarter of 2017. Due to most of the sales were ex-work and decreased in export.

Administration Expenses

The Company's administration expenses for the 1st quarter of 2018, was THB 19.60 million which decreased by THB 0.13 million or 0.66% from administration expenses the amount of THB 19.73 million in the 1st quarter of 2017.

The financial cost

The Company and its subsidiaries have no financial cost in the 1st quarter of 2018 when compared with the 1st quarter of 2017 financial cost was 0.89 million or 100% decreased due to no loans from financial institutions.

Please be informed accordingly.

Best Regards,

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