



บริษัท เอไอ เอนเนอร์จี จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

No. AIE 191/2018

November 13, 2018

Subject: Management's Discussion and Analysis for 3rd quarter ended as of Sept 30, 2018

To: The 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 3<sup>rd</sup> quarter ended as of September 30, 2018, (1 Jul – 30 Sep), which details are as following ;

Results	3rd quarter 2018 <u>Reviewed</u>	3rd quarter 2017 <u>Reviewed</u>	Increase (Decrease)	
	Million baht	Million baht	Million baht	%
Total revenue	388.06	819.95	(431.89)	(52.67)
Cost of sales and services	390.44	656.76	(266.32)	(40.55)
Sales and Administration Expenses and Financial cost	20.31	33.61	(13.30)	(39.57)
Net Income (Loss) of the Company	(22.91)	100.37	(123.27)	(122.82)
Earnings (loss) per share (Baht per share)	(0.004)	0.022	(0.026)	(119.90)

#### Net profit (Loss)

The Company and subsidiaries (Consolidated) realized net loss of the 3<sup>rd</sup> quarter of 2018, of THB 22.91 million, and the net profit 3<sup>rd</sup> quarter of 2017 was THB 100.37 million, the net profit decreased by THB 123.27 million comparing to the 3<sup>rd</sup> quarter of 2017, or decreased by 122.82%.

Though, the Company (Company Only) realized net loss of the 3<sup>rd</sup> quarter of 2018, of THB 16.11 million decreased by THB 13.30 million or 45.18% comparing to the 3<sup>rd</sup> quarter of 2017, which the realized net loss of THB 29.44 million. As a result of lower sales volumes, while the rate of cost of sales of both quarters are similar. The price of crude palm oil in between the 2<sup>nd</sup> quarter and the 3<sup>rd</sup> quarter of 2018 were continuously decreased in the range of THB 23.00 – THB 19.00 difference THB 4.00 /KG which is larger in variance than those in the same period of 2017, a price range were THB 23.00 – THB 22.00.

The company's operating results (Company Only) realized net loss in the 9 month year 2018 was THB 17.82 million due to the price of crude palm oil in the 3<sup>rd</sup> quarter of 2018 was continuously decreased as mentioned above, which lead to loss in gross profit first time in 2018. Whilst 1<sup>st</sup> quarter of 2018, the crude palm oil prices were mixed up-down trend between THB 2.00 – THB 4.00 / KG, so the Company realized net gross profit and net loss for THB 3.07 million. During the months of March – April 2018, the Department of Internal Trade has announced that crude palm oil prices not lower than 19.00 baht/KG. There was slightly fluctuation in



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crude palm oil price in 2<sup>nd</sup> quarter of 2018, where realized net profit of THB 1.33 million. The Company realized stock loss from the allowance for devaluation of inventories (NRV) as of March 31, 2018 by THB 10.23 million, as of June 30, 2018 by THB 1.54 million, and as of September 30, 2018 by THB 6.77 million.

The fluctuation of CPO price mentioned above had reflected the Company's business operation in the production and distribution of biodiesel from CPO industry, which is the inherent risk that significantly impact on the Company's performance that is the risk of fluctuation in CPO price; mostly caused by the intervention of the government to determine the CPO pricing policy, economic change, climate change, and demand and supply. In the past 2 years, CPO's world and Thai's market had been highly volatilized. The Company is aware of such risks and determined the policy that focused on the procurement and management of raw material (CPO) and biodiesel's stocks by trying to maintain inventories turnover rate between 30 – 45 days, enough for the production and delivery in each month under quarterly and yearly contracts. Also, the Company is controlling and improving the rate of loss from production process. However, the determined policy and controlling the rate of loss cannot eliminate all the risks, they were just reduced the risks and alleviates the impact of the risk on the Company's performance.

Subsidiaries realized net loss of THB 6.79 million in the 3<sup>rd</sup> quarter of 2018 and net profit of THB 129.80 million in the 3<sup>rd</sup> quarter of 2017, which the realized net profits in 2017 was consisted of gain on sales of subsidiary's assets for THB 156.57 million.

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

The Company has a gross loss from sales of goods and services for the 3<sup>rd</sup> quarter 2018 of THB 4.04 million, increased by THB 6.95 million, or 238.83% comparing to the 3<sup>rd</sup> quarter of 2017, which realized gross loss of THB 2.91 million.

Subsidiaries have gross loss from sales of services for the 3<sup>rd</sup> quarter 2018 of THB 0.63 million. There was no revenue in the 3<sup>rd</sup> quarter of 2017.

For the following reasons;

The result of 3 <sup>rd</sup> quarter of 2018 (Unit: Million Baht)	Biodiesel	Palm oil	Vessel	Total Sale	Other	Total
	Edible oil	refining	operating	and service	income	revenues
	By-product	service				
Revenues from sales and services	360.18	11.96	13.63	385.77	2.28	388.05
Cost of sales and services	(367.63)	(8.55)	(14.26)	(390.44)	0.00	(390.44)
Gross profit (loss) by segment	(7.45)	3.41	(0.63)	(4.67)	2.28	(2.39)
Segment income (%)	93.37	3.10	3.53	100.00	0.59	100.00
Sales Sales cost rates. (%)	102.07	71.49	104.62	101.21	0.00	(100.62)



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The result of 3 <sup>rd</sup> quarter of 2017 (Unit: Million Baht)	Biodiesel	Palm oil	Vessel	Total Sale	Other	Total
	Edible oil	refining	operating	and service	income	revenues
	By-product	service				
Revenues from sales and services	631.63	27.32	0.00	658.95	161.00	819.95
Cost of sales and services	(635.53)	(21.23)	0.00	(656.76)	0.00	(656.76)
Gross profit (loss) by segment	(3.90)	6.09	0.00	2.19	161.00	163.19
Segment income (%)	95.85	4.15	0.00	100.00	19.63	100.00
Sales cost rates. (%)	100.62	77.71	0.00	99.67	0.00	(80.10)

Compare the results of the operation	Biodiesel	Palm oil	Vessel	Total Sale	Other	Total
	Edible oil	refining	operating	and service	income	revenues
	By-product	service				
Segment revenue variance (million baht).	(271.45)	(15.36)	13.63	(273.18)	(158.72)	(431.90)
The difference of rates revenue by segment (%)	(42.98)	(56.22)	100.00	(41.46)	(98.58)	(52.67)
Sales cost variance (million baht)	(267.90)	(12.68)	14.26	(266.32)	0.00	(266.32)
The rate of sales cost variance as (%)	(42.15)	(59.73)	100.00	(40.55)	0.00	(40.55)
The difference of cost rates (sales, Upselling %)	1.45	(6.22)	104.62	1.54	0.00	(20.52)

## Revenue

### 1. Revenue from Sales and Services

The Company and subsidiaries realized the revenue as of the 3<sup>rd</sup> quarter of 2018 for THB 385.77 million which decreased by THB 273.18 million or 41.46% from the 3<sup>rd</sup> quarter of 2017, which realized the revenue of THB 658.95 million, where the reasons are summarized as follows;

#### 1.1 Sales of Biodiesel, Edible oil and By-product

The Company had revenue from sales of biodiesel, Edible Oil and by-products for the 3<sup>rd</sup> quarter of 2018 and 2017 of THB 360.18 million and THB 631.63 million, decreased by THB 271.45 million or 42.98%. Represent a significant portion of the total revenues of 93.37% and 95.85%.

- In 3<sup>rd</sup> quarter of 2018, Products sold 15,708 tons at average selling price of THB 22,930/ton
- In 3<sup>rd</sup> quarter of 2017, Products sold 26,615 tons at average selling price of THB 23,730/ton



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The Company's products were sold in 3<sup>rd</sup> quarter of 2018 less than 3<sup>rd</sup> quarter of 2017 by 10,907 tons or lower by 40.98 %. Due to decrease in the average selling price per unit of product by THB 800 per ton in relation to the decreasing in crude palm oil price.

- Biodiesel's Quantity sold in 3<sup>rd</sup> quarter of 2018 was 13,789 tons and in 3<sup>rd</sup> quarter of 2017 was 23,090 tons, which has decreased by 9,301 tons, and the selling price decreased by THB 1,410 per ton. Due to the competition in discount bidding.
- Edible Oil's Quantity sold in 3<sup>rd</sup> quarter of 2018 was 186 tons, and there was no Edible Oil sold in 3<sup>rd</sup> quarter of 2017.
- By-product's Quantity sold, in 3<sup>rd</sup> quarter of 2018 was 1,733 tons and selling price THB 1,033 per ton, and 3<sup>rd</sup> quarter of 2017 was 3,525 tons and selling price THB 1,010 per ton, which the sales volumes were decreased in relation to a decreased in Biodiesel's sold.

### 1.2 Refining Service

The Company had revenue from Refining Service for the 3<sup>rd</sup> quarter of 2018 and 2017 of THB 11.96 million and THB 26.32 million, decreased by THB 15.36 million or 56.22%. Represent a portion of the total revenues of 3.10% and 4.15% respectively.

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

- Refining Service of semi-product for use in biodiesel production in 3<sup>rd</sup> quarter of 2018 and 2017 were THB 6.78 million and THB 14.04 million. This is due to lower in customer's biodiesel production.
- Refining Service for edible oil in 3<sup>rd</sup> quarter of 2018 and 2017 were THB 5.18 million and THB 13.28 million. The revenue in this segment was lower since the Company terminated contract with the both customers on May 2018, and September 2018.

### 1.3 Sea Freight Service

Revenues from Sea Freight Services operated by the subsidiary (AIL), in the 3<sup>rd</sup> quarter of 2018 was THB 13.63 million and in the 3<sup>rd</sup> quarter of 2017 was no income. Represent a portion of the total revenues of 3.53% in 3<sup>rd</sup> quarter of 2018.

## 2. Other income

The Company and its subsidiaries had revenue from Other Income in the 3<sup>rd</sup> quarter of 2018 and 2017 for THB 2.28 million and THB 4.43 million, which consist of storage tanks rental, sales of scrap materials, interest income, gain on changes in fair value of investment, and profit from Exchange rates, etc. In 3<sup>rd</sup> quarter of 2017, there was other income of THB 156.57 million that came from profit from one of the subsidiaries sold its assets.



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### Cost of sales and service

The Company and subsidiaries' cost of sales and services as of the 3<sup>rd</sup> quarter of 2018 was THB 390.44 million and the ratio of cost of sales over total revenue was 100.62%, the 3<sup>rd</sup> quarter of 2017 was THB 656.76 million with the ratio of 99.67 %, which increased by 1.54%, where the reasons are summarized as follows.

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

In 3<sup>rd</sup> quarter of 2018, cost of sale was THB 367.63 million; with ratio cost of sale to revenue was 102.07%.

In 3<sup>rd</sup> quarter of 2017, cost of sale was THB 635.53 million; with ratio cost of sale to revenue was 100.62%.

The Company's ratio of cost of sales to total revenue in the 3<sup>rd</sup> quarter of 2018 has increased in the 3<sup>rd</sup> quarter of 2017 by 1.45%. Due to the price of crude palm oil was continuously decreased during the 3<sup>rd</sup> quarter of 2018 in the range of THB 2.50/KG, while in the 3<sup>rd</sup> quarter of 2017 was less fluctuated with the range of THB 1.00/KG. Therefore, the raw materials cost used in production were higher than the selling price. However, the Company had been managed inventories turnover rate not over than 0.70 time or within 30 – 45 days, in order to reduce the risk of devaluation in inventories value (NRV) when CPO price fluctuated.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
<b>1. Ratio inventory turnover (times)</b>												
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	0.77	0.84	0.71	0.76	0.74	0.83	-	-	-
<b>2. Ratio sales turnover (days)</b>												
Year2017	63	52	38	34	27	27	29	27	21	39	37	33
Year2018	35	28	35	39	35	40	40	41	36	-	-	-

### Statistics; monthly average CPO price per kilogram

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	18.97	20.10	23.20	21.59	20.09	19.03	17.89	-	-	20.19

Source: Department of Internal Trade (DIT), Ministry of Commerce as of Oct 2018

According to the statistics of average monthly crude palm oil price from DIT shown in the tables above, the fluctuation in downward trend lead to set the allowance for devaluation of inventories as of 30 September 2018 for THB 6.77 million since crude palm oil price was continuously decreased from July 2018 at THB 21.59/KG to THB 17.89 /KG in October 2018. There was no allowance for devaluation of inventories in 3<sup>rd</sup> quarter of 2017.



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## **2. Cost of Refining Service**

- In 3<sup>rd</sup> quarter of 2018, cost of refining service was THB 8.55 million; with ratio cost of service to revenue was 71.49%.
- In 3<sup>rd</sup> quarter of 2017, cost of refining service was THB 21.03 million; with ratio cost of service to revenue was 77.71%.

The ratio of cost of refining service to revenue was decreased by 6.22% from the 3<sup>rd</sup> 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 3<sup>rd</sup> quarter of 2018, cost of service was THB 13.58 million; with ratio cost of service to revenue was 99.27%.
- In 3<sup>rd</sup> quarter of 2017, no cost of service.

### **Selling expenses**

The Company and its subsidiaries' selling expense consist of domestic freight. As of the 3<sup>rd</sup> quarter of 2018 was THB 1.68 million, which decreased by THB 2.58 million or 61.54% from THB 4.26 million in the 3<sup>rd</sup> quarter of 2017. Due to most of the sales were ex-work and no export.

### **Administration Expenses**

The Company and subsidiaries' administration expenses for the 3<sup>rd</sup> quarter of 2018, was THB 18.63 million which decreased by THB 10.55 million or 36.16% from administration expenses the amount of THB 29.18 million in the 3<sup>rd</sup> quarter of 2017, consisted of the devaluation of investment amount THB 13.00 million. The administration expenses that excludes the devaluation of investment amount in the 3<sup>rd</sup> quarter of 2017 was equal to THB 16.18 million, comparing to THB 18.63 million in the 3<sup>rd</sup> quarter of 2018 the administration expenses were increased by THB 2.45 million or 15.14% due to tax expenses on sales of subsidiary (AIPT)'s assets of THB 2.76 million.

### **The financial cost**

The Company and subsidiaries have no financial cost in the 3<sup>rd</sup> quarter of 2018 when compared with the 3<sup>rd</sup> quarter of 2017 financial cost was THB 0.17 million.



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Please be informed accordingly

Yours Sincerely,

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