



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

AIE 028/2019

26th February 2019

Subject: Management's Discussion and Analysis for Year 2018 ended as of December 31, 2018

Attention: President

The Stock Exchange of Thailand

AI Energy Public Company Limited (AIE) would like to submit the financial statement for year ending December 31, 2018 (1 January – 31 December) for the company and its subsidiaries, detailed as following;

Results	2018 <u>Audited</u> Baht	2017 <u>Audited</u> Baht	Increase (Decrease)	
			Baht	%
Total Revenues	1,570,917,679	2,461,057,268	(890,139,589)	(36.17)
Cost of Goods Sold and Services	1,534,434,537	2,399,582,723	(865,148,186)	(36.05)
Sales & Administration Expenses and Financial Cost and Tax Expense	108,803,656	133,755,071	(24,951,415)	(18.66)
Net Profit (Loss)	(72,320,514)	(72,280,526)	(39,988)	(0.06)
Earnings per share (Baht per share)	(0.015)	(0.016)	0.001	6.25

Net Profit (Loss)

The Company and subsidiaries (Consolidated) realized net loss of 72.32 million Baht in 2018, and net loss of 72.28 million Baht in 2017. The Company's net loss has increased 0.04 million Baht or 0.06 % from the previous year.

In 2018, The Company (Company only) has realized net loss of 49.23 million Baht compared to net loss of 173.44 million Baht in 2017. The Company's net loss has decreased by 124.21 million Baht or 71.62% due to sales orders and cost of goods sold have been decreased and controlled inventories turnover to be less than 45 days. Also, the Crude Palm Oil ("CPO") price was fluctuated in 2018 (in range of 7 Baht/Kilogram between 23.00 – 16.00



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Baht/Kilogram) but less than those in 2017, where CPO price was fluctuated in the range of 13.00 Baht/Kilogram between 32.00-19.00 Baht/Kilogram. (Source: DIT, Ministry of Commerce). In 2018, CPO price was reached the lowest in the past 10 years. The Company realized its stock loss of 2.75 million Baht from the recording NRV on 31 December 2018. Besides, part of the loss was caused by allowance for impairment of investment in subsidiary of 12 million Baht and allowance for doubtful accounts of 2.78 million Baht.

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 23.09 million Baht in 2018 and net profit of 101.16 million Baht in 2017, which the realized net loss in 2018 was consisted of the allowance for impairment amount of 17.40 million Baht and the realized net profit in 2017 was consisted of gain on sales of subsidiary's assets for 156.57 million Baht

Gross Profit (Loss)

The Company has a gross profit from sales of goods and services in 2018 of 27.92 million Baht, increased by 133.40 million Baht, or 126.47% comparing to 2017, which realized gross loss of 105.48 million Baht.

Subsidiaries have gross profit from sales of services in 2018 of 0.44 million Baht and have realized gross loss of 7.85 million Baht in 2017, which gross profit increased by 8.28 million Baht or 105.66%

For the following reasons;



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

The result 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	1,459.23	49.46	54.11	1,562.80	8.12	1,570.92
Cost of sales and services	(1,444.40)	(36.37)	(53.66)	(1,534.43)	0.00	(1,534.43)
Gross profit (loss) by segment	14.83	13.09	0.45	28.37	8.12	36.49
Segment income (%)	92.89	3.15	3.44	99.48	0.52	100.00
Sales to Cost of Sales (%)	98.98	73.53	99.17	98.18	0.00	

The result of 2017 (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	2,176.30	77.03	32.92	2,286.25	174.81	2,461.06
Cost of sales and services	(2,295.83)	(62.98)	(40.77)	(2,399.58)	0.00	(2,399.58)
Gross profit (loss) by segment	(119.53)	14.05	(7.85)	(113.33)	174.81	61.48
Segment income (%)	88.43	3.13	1.34	92.90	7.10	100.00
Sales to Cost of Sales (%)	105.49	81.76	123.85	104.96	0.00	

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).	(717.07)	(27.57)	21.19	(723.45)	(166.69)	(890.14)
The difference of rates revenue by segment (%)	(32.95)	(35.79)	64.37	(31.64)	(95.35)	(36.17)
Sales cost variance (million Baht)	(851.43)	(26.61)	12.89	(865.15)	0.00	(865.15)
The rate of sales cost variance as (%)	(37.09)	(42.25)	31.62	(36.05)	0.00	(36.05)



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The difference of cost rates (sales, Upselling %)	(6.51)	(8.23)	(24.68)	(6.77)	0.00
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Revenue from Sales and Services

1. Revenue from Sales and Services

The Company and subsidiaries realized the revenue as of 2018 for 1,562.80 million Baht which decreased by 723.45 million Baht or 31.64% from the year 2017, which realized the revenue of 2,286.25 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 2018 was decreased by 717.07 million Baht or 32.95% from 2017 due to the decreased in both quantities sold and price per unit sold.

The Company's products were sold 2018 less than those in 2017 by 22.45%. Due to decrease in the average selling price per unit of product by 13.54% in relation to the decreasing in Sales by 32.95% as followed.

- Biodiesel's Quantity sold in 2018 was decreased by 18.32% when compared to 2017 due to the competition in discount bidding. Therefore, the Company received award with less quantities than in 2017 and the average selling price was decreased by 17.86% due to the decreased in CPO's prices.
- Edible Oil's Quantity sold in 2018 was decreased from 2017 by 15.99% since the 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.
- By-product's selling price in 2018 was increased by 30.85% due to low supply, while the quantities sold was decreased by 48.78%, the sales volumes were decreased in relation to a decreased in Biodiesel's sold. Moreover, the Company is currently not selling Crude Glycerine since October 2018 in order to use them in commissioning Refined Glycerine Plant, which expected to commercial run in 2nd quarter of 2019. The Refined Glycerine project will add value-added to Crude Glycerine, creates more margin, and reduce



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AI Energy Public Company Limited

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Biodiesel's production costs. The Company will only sell by-products that excess the need in its productions.

1.2 Revenue from Refining Service

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

- Refining Service of semi-product for use in biodiesel production in 2018 was decreased from 2017 by 5.29 million Baht or 13.50%. This is due to lower in customer's biodiesel production.
- Refining Service for edible oil in 2018 was decreased from 2017 by 22.28 million Baht or 58.85%. The revenue in this segment was lower since the Company terminated contract with the both customers on May 2018, and September 2018 because they breached the agreements.

1.3 Sea Freight Service

Revenues from Sea Freight Services operated by the subsidiary (AIL), in 2018 and 2017 were 54.11 million Baht and 32.92 million Baht, respectively. This is due to continuously increasing in sea freight service.

2. Other Income

The Company and its subsidiaries had revenue from Other Income in 2018 and 2017 for 8.12 million Baht and 18.24 million Baht, which consist of storage tanks rental, 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 10.12 million Baht as results from the decreased in gain on exchange rates by 5.11 million Baht, interest income by 1.68 million Bath, storage tanks rental by 0.83 million Baht. In 2017, there was other income of 156.57 million Baht that came from profit from one of the subsidiaries sold its assets.

Cost of Sales and Services

The Company and subsidiaries' cost of sales and services as of 2018 was 1,534.43 million Baht and the ratio of cost of sales over total revenue was 98.19%, as of 2017 was 2,399.58 million Baht with the ratio of 104.96%, which decreased by 6.77%, where the reasons are summarized as follows.



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

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

The Company's ratio of cost of sales to total revenue in 2018 has decreased from 2017 by 6.54%. Due to the price of crude palm oil was continuously decreased in 2018 in the range of 7.00 Baht/Kilogram, while in was more fluctuated with the range of 13.00 Baht/Kilogram. Therefore, the raw materials cost used in production were a little bit higher than the selling price in 2018. 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.

- 1.1 In 2018, the Biodiesel's ratio of cost of sales to total revenue was decreased from 2017 to 8.13% or decreased by 7.58%. This is due to the fluctuation of CPO's price in 2018 were less than in 2017, where the company efficiently manage production yields and maintain inventory turnover within 30-45 days
- 1.2 In 2018, the Edible Oil's ratio of cost of sales to total revenue was decreased from 2017 to 9.01% or decreased by 9.26%, where the Company possible to generate 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 2018, the By-products' ratio of cost of sales to total revenue was increased from 2017 to 22.67% or decreased by 26.83%. In 1st – 3rd quarters of 2018, the Company has determined the cost of by-products according to the market selling prices, but in 4th quarter of 2018 the market selling price was decreased to lower than cost of by-products which lead to realizes operating loss from sale of by-products. In addition, Crude Glycerine will be used as raw material in Refined Glycerine Plant, where the cost of production was deducted from the selling price of By-Products that gave the higher cost of sales for By-Products but reduced the cost of sales of the main product (Biodiesel).

2. Cost of Refining Service

The ratio of cost of refining service to revenue was decreased by 13.35% from 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. The Company is still profitable regularly because there is no risk of fluctuations in the price of CPO.



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2.1 The ratio of the cost of refining services to revenue for RBD Palm oil for biodiesel was 76.68% in 2018. This was similar to 75.28% in 2017 and all previous years. The profit has seen steady growth in this sector.

2.2 The refining service for Edible Oil has ratio of cost of refining service for edible oil was 66.72% in 2018, while was 86.84% in 2017 since the Company terminated contract with the both customers on May 2018, and September 2018 because they breached the agreements

3. Cost of Sea Freight Service

The cost of sea freight services decreased by 19.92% in 2018 from 2017 as the cost of repairing and fixing sea freight reduced.

Selling Expenses

The Company and its subsidiaries' selling expense consist of domestic freight. As of 2018 was 8.33 million Baht, which decreased by 3.61 million Baht or 30.25% from 11.95 million Baht in 2017. Due to most of the sales were ex-work and 95% domestic. Therefore, the exporting expenses were reduced when compared to 2017.

Administration Expenses

The Company and subsidiaries' administration expenses of 2018 was 97.27 million Baht which increased by 6.32 million Baht from administration expenses the amount of 90.95 million Baht in 2017, consisted of the devaluation of investment in subsidiary amount 12.00 million Baht and impairment of subsidiary's property, plant and equipment of 17.40 million Baht.

Financial Cost

The Company and subsidiaries have financial cost in 2018 of 0.001 million Baht and 1.72 million Baht in 2017. The Company and subsidiaries have no borrowing for working capital from any financial institutions.



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Please be informed accordingly

Yours Sincerely,

AI Energy Public Company Limited

(Miss Pimwan Thareratanavibool)

Managing Director

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