



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

AIE 117/2019

14 May 2019

Subject: Management's Discussion and Analysis for 1st quarter ended as of March 31, 2019

Attention: President

The Stock Exchange of Thailand

AI Energy Public Company Limited (AIE) would like to submit the financial statement for 1st quarter ended as of March 31, 2019, (1 January – 31 March), which details are as following;

Results	1 st Quarter 2019 Reviewed Million baht	1 st Quarter 2018 Reviewed Million baht	Increase (Decrease)	
			Million baht	%
Total Revenues	424.76	444.51	(19.75)	(4.44)
Cost of Goods Sold and Services	448.36	428.19	20.17	4.71
Sales & Administration Expenses and Financial Cost and Tax Expense	20.02	22.54	(2.52)	(11.18)
Net Profit (Loss)	(43.62)	(6.22)	37.40	601.29
Earnings per share (Baht per share)	(0.008)	(0.001)	0.007	700.00

Net Profit (Loss)

The Company and subsidiaries (Consolidated) realized net loss of 43.62 million Baht in the 1st quarter of 2019, and net loss of 6.22 million Baht in the 1st quarter of 2018. The Company's net loss has increased 37.40 million Baht or 601.29 % from the previous year.

In the 1st quarter of 2019, The Company (Separate) has realized net loss of 42.07 million Baht compared to net loss of 3.07 million Baht in the 1st quarter of 2018. The Company's net loss has increased by 39.00 million Baht or 1,270%. Although the Company will continue to manage controlling of inventories turnover to be less than 45 days. The Crude Palm Oil ("CPO") price was fluctuated in the 1st quarter of 2019 (in range of 2.25 Baht/Kilogram between 17.00



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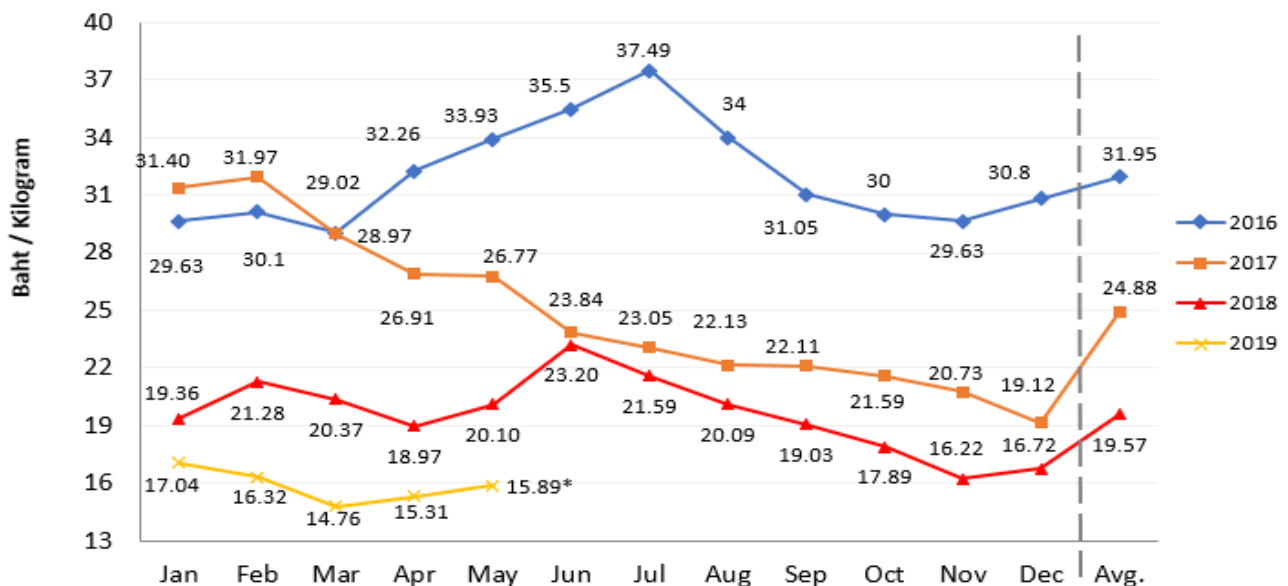
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- 14.75 Baht/Kilogram) but in the 1st quarter of 2018, where CPO price was fluctuated in the range of 1.50 Baht/Kilogram between 21.00-19.50 Baht/Kilogram. (Source: DIT, Ministry of Commerce) The Company realized its stock loss of 19.25 million Baht from the recording NRV on 31 March 2019. Besides, part of the loss was caused by loss on impairment of investment in subsidiary (AIL) of 2.00 million Baht.

Subsidiaries realized net loss of 1.55 million Baht in the 1st quarter of 2019 and net loss of 3.15 million Baht in the 1st quarter of 2018, comparing decreased by 1.60 million Baht, or 50.79%

During the past 3 years, the price of crude palm oil, which is the main raw material, accounted for 90% of raw materials for the production of the Company's products, has been continuously fluctuated and decreased. It was the main reason that the Company has a net loss from operation since the selling price of biodiesel has decreased according to the price of crude palm oil in the market, while the price of crude palm oil in the Company was unable to catch up with the price of crude palm oil in the market Therefore, the company has a selling price of biodiesel oil that is lower than the cost of sales. Along with recording NRV in the past few quarters, affecting the profitability of the Company. This situation affects all entrepreneurs in the palm oil industry as a whole. At present, the Company uses a strategy to set policies to be used as a guideline to cope with the volatility of crude palm oil prices by focusing on the importance of purchasing and managing raw materials turnover at 30-45 days, sufficient for production and delivery each month under the contract of quarterly and annual orders only.



Note: As of 13 May 2019

ที่มา: CPO's monthly average price, DIT MOC



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The fluctuation of CPO price mentioned above had reflected the Company and other operators in palm oil and biodiesel industry's performances, which is the inherent risk that significantly impact on their performances 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, and climate change. 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.

Therefore, the Company has invested in the Refined Glycerine plant according to the Company's strategy plan, which add the value-added to by-product; crude glycerine obtained from the Biodiesel's production with maximum capacity of 100 tons of refined glycerine per day (pharmaceutical grade). The refined glycerine plant has already completed 100% (commissioning process) and will commercially run in 2nd quarter of 2019, which is expected to improve the Company's gross profit margin ability and reduce Biodiesel's production costs. In addition, with the refined glycerine capacity mentioned above, the Company has to import crude glycerine from overseas. Therefore, the Company has strategy to use sea freight service provided by AI Logistics Company Limited (AIL) and store at AI Ports and Terminals Company Limited (AIPT)'s shore tanks at Hat Sai Ri Subdistrict, Mueang Chumphon District, Chumphon Province. With this strategic, the Company expects to cease its and its' subsidiaries' loss.

Gross Profit (Loss)

The Company has a gross loss from sales of goods and services in the 1st quarter of 2019 of 22.92 million Baht, increased by 36.81 million Baht, or 265.01% comparing to the 1st quarter of 2018, which realized gross profit of 13.89 million Baht.

Subsidiaries have realized gross loss from sales of services in the 1st quarter of 2019 of 1.42 million Baht and have realized gross loss of 0.02 million Baht in the 1st quarter of 2018, which gross loss increased by 1.40 million Baht or 7,000%



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For the following reasons;

The result of the 1st 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	412.51	5.07	6.44	424.02	0.74	424.76
Cost of sales and services	(436.78)	(3.72)	(7.86)	(448.36)	0.00	(448.36)
Gross profit (loss) by segment	(24.27)	1.35	(1.42)	(24.34)	0.74	(23.60)
Segment income (%)	97.12	1.19	1.52	99.83	0.17	100.00
Sales to Cost of Sales (%)	105.88	73.37	122.05	105.74	0.00	105.56

The result of the 1st 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	411.73	16.65	13.68	442.06	2.45	444.51
Cost of sales and services	(402.34)	(12.15)	(13.70)	(428.19)	0.00	(428.19)
Gross profit (loss) by segment	9.39	4.50	(0.02)	13.87	2.45	16.32
Segment income (%)	92.63	3.75	3.08	99.45	0.55	100.00
Sales to Cost of Sales (%)	97.72	72.97	100.15	96.86	0.00	96.33

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).	0.78	(11.58)	(7.24)	(18.04)	(1.71)	(19.75)
The difference of rates revenue by segment (%)	0.19	(69.55)	(52.92)	(4.08)	(69.80)	(4.44)
Sales cost variance (million Baht)	34.44	(8.43)	(5.84)	20.17	0.00	20.17
The rate of sales cost variance as (%)	8.56	(69.38)	(42.63)	4.71	0.00	4.71
The difference of cost rates (sales, Upselling %)	8.16	0.40	21.90	8.88	0.00	9.23



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Revenue from Sales and Services

1. Revenue from Sales and Services

The Company and subsidiaries realized the revenue as of the 1st quarter of 2019 for 424.02 million Baht which decreased by 18.04 million Baht or 4.08 % from the 1st quarter of 2018, which realized the revenue of 442.06 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 1st quarter of 2019 was increased by 0.78 million Baht or 0.19% from the 1st quarter of 2018 due to the increased in quantities sold and decreased price per unit sold.

The Company's products were sold in the 1st quarter of 2019 more than those in the 1st quarter of 2018 by 19.57%. Due to decrease in the average selling price per unit of product by 19.35% in relation to the increasing in sales by 0.19% as followed.

- Biodiesel's quantity sold in the 1st quarter of 2019 was increased by 8.80% when compared to the 1st quarter of 2018. The Company received award from customer with more quantities than in the 1st quarter of 2018 and the average selling price was decreased by 25.89% due to the decreased in CPO's prices, in relation to the decreasing in sales by 13.58%. The decline in crude palm oil prices has affected the selling price of biodiesel continuously since 2014 as follows:

Biodiesel		
Year	Quantities Sold (Liter)	Selling Price / Liter (Baht)
2014	101,156,955	28.72
2015	100,953,539	30.91
2016	84,985,695	31.21
2017	79,528,231	24.27
2018	64,508,273	20.08
Q1/2019	20,406,980	16.36



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- Edible Oil's Quantity sold in the 1st quarter of 2019 with sales volume to 13.11% from total sales quantity and the sales of 16.43% from total sales. In 1st quarter of 2018 had no sale of Edible Oil. Currently, 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. The decline in crude palm oil prices has affected the selling price of Edible Oil continuously since 2014 as follows:

Edible Oil		
Year	Quantities Sold (KG.)	Selling price / KG. (Baht)
2014	32,963,247	30.32
2015	21,183,438	29.79
2016	18,358,222	35.45
2017	4,321,718	31.22
2018	3,630,585	23.86
Q1/2019	2,814,149	24.08

- By-product's selling price in the 1st quarter of 2019 was decreased by 36.25%, while the quantities sold was decreased by 41.81%, the sales volumes were decreased as to 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 Biodiesel's production costs. The Company will only sell by-products that excess the need of 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 the 1st quarter of 2019 was decreased from 1st quarter of 2018 by the quantities sold was decreased by 58.45% and revenue from service was decreased by 58.18%. This is due to lower in customer's demand.



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- Refining Service for edible oil, there is no contract in the 1st quarter of 2019. 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 the 1st quarter of 2019 and 1st quarter of 2018 were 6.44 million Baht and 13.18 million Baht, respectively. The decrease in revenue from stops for maintenance.

2. Other Income

The Company and its subsidiaries had revenue from Other Income in the 1st quarter of 2019 and the 1st quarter of 2018 for 0.74 million Baht and 2.45 million Baht, which 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 1.71 million Baht.

Cost of Sales and Services

The Company and subsidiaries' cost of sales and services in the 1st quarter of 2019 was 448.36 million Baht and the ratio of cost of sales over total revenue was 105.74 %, in the 1st quarter of in the 1st quarter of 2018 was 428.19 million Baht with the ratio of 96.86%, which decreased by 8.88%, 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 1st quarter of 2019 has increased from in the 1st quarter of 2018 by 8.16%. Due to the price of crude palm oil was continuously decreased in the 1st quarter of 2019 in the range of -2.25 Baht/Kilogram, while in was more fluctuated with the range of +1.50 Baht/Kilogram. Therefore, the raw materials cost used in production were higher than the selling price in the 1st quarter of 2019. However, the Company had been managed inventories turnover rate not over than 0.70 time or within 45 days, in order to reduce the risk of devaluation in inventories value (NRV) when CPO price fluctuated.

- 1.1 In the 1st quarter of 2019, the Biodiesel's ratio of cost of sales to total revenue was decreased from in the 1st quarter of 2018 to 10.91% or increased by 11.08%. This is due to the fluctuation of CPO's price in the 1st quarter of 2019, the Company has been affected by the reducing market price of CPO, causing drop in



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selling price, related to EPPPO price announcement. Hence, the company made losses from high cost of inventory.

1.2 In the 1st quarter of 2019, the Edible Oil's ratio of cost of sales to total revenue to 83.44%. In the 1st quarter of 2018 has not sold, 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 the 1st quarter of 2019, the By-products' ratio of cost of sales to total revenue was increased from in the 1st quarter of 2018 to 51.12% or increased by 59.76%. The Company has determined the cost of by-products according to the market selling prices, but in the 1st quarter of 2019 the market selling price was decreased to lower than cost of by-products which lead to realizes operating loss from sale of by-products.

2. Cost of Refining Service

The ratio of cost of refining service to revenue was increased by 0.40% in the 1st quarter of 2019 from the 1st quarter of 2018. 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.

2.1 The ratio of the cost of refining services to revenue for RBD Palm oil for biodiesel was 73.37% in the 1st quarter of 2019. This was similar to 75.90% in the 1st quarter of 2018 and all previous years. The profit has seen steady growth in this sector.

2.2 The refining service for Edible Oil, there is no contract in the 1st quarter of 2019, while ratio of cost of refining service for edible oil was 65.07% in the 1st quarter of 2018 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 subsidiary (AIL), the cost of sea freight services increased by 21.90%, in the 1st quarter of 2019 the ratio of cost was 122.05% and in the 1st quarter of 2018 the ratio of cost was 100.05%. Due to the reduced income, unable to the allocation of fixed costs.



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Selling Expenses

The Company and its subsidiaries' selling expense consist of domestic freight. In the 1st quarter of 2019 was 4.43 million Baht, which increased by 2.62 million Baht or 144.75% from 1.81 million Baht. In the 1st quarter of 2018. Due to most of the sales in the 1st quarter of 2019 were delivered to customer's site.

Administration Expenses

The Company and subsidiaries' administration expenses in the 1st quarter of 2019 was 15.57 million Baht which decreased by 4.03 million Baht or by 20.56% from administration expenses the amount of 19.60 million Baht in the 1st quarter of 2018, consisted of loss from disposal of assets decreased 1.87 million and income tax of subsidiaries (AIPT) decreased 2.76 million baht.

Financial Cost

The Company and subsidiaries have no borrowing for working capital from any financial institutions.

Please be informed accordingly

Yours Sincerely,

AI Energy Public Company Limited

Miss Pimwan Thareratanavibool

Managing Director

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