



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

AIE 156/2018

August 14, 2018

Subject: Management's Discussion and Analysis for 2nd quarter ended as of June 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 2nd quarter ended as of June 30, 2018, (1 April – 30 June), which details are as following;

Results	2 nd quarter 2018 Reviewed	2 nd quarter 2017 Reviewed	Increase (Decrease)	
	Million baht	Million baht	Million baht	%
Total revenue	382.22	643.92	(261.70)	(40.64)
Cost of sales and services	360.55	671.54	(311.00)	(46.31)
Sales and Administration Expenses and Financial cost	22.67	23.20	(0.54)	(2.31)
Net Income (Loss) of the Company	(2.20)	(50.71)	48.51	95.65
Earnings (loss) per share (Baht per share)	(0.0005)	(0.0112)	0.0107	95.54

Net profit (Loss)

The Company and subsidiaries (Consolidated) realized net loss of the 2nd quarter of 2018, of THB 2.20 million, decreased by THB 48.51 million or 95.65% comparing to the 2nd quarter of 2017, which the realized net loss of THB 50.71 million. Though, the Company (Company Only) realized net profit of the 2nd quarter of 2018, of THB 1.36 million increased by THB 45.60 million or 103.07% comparing to the 2nd quarter of 2017, which the realized net loss of THB 44.24 million. This is due to less fluctuation in Crude Palm Oil (CPO) price in the 2nd quarter of 2018 (prices range are in between 18.50 – 24.00 Baht, or 2.00 – 4.00 Baht/Kilogram) than those in the same period of 2017, whereas prices range are in between 32.00 – 23.50 Baht, or highest at 8.50 Baht/Kilogram.

While the Company (Company Only) realized net loss in the first 6 months period of 2018 for THB 1.71 million due to realized stock loss that had set the allowance for devaluation of inventories (NRV) as of March 31,



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

2018 by THB 10.23 million and as of June 30, 2018 by THB 1.54 million, which caused the effect by the fluctuation in CPO prices during 1st quarter of 2018 (pricing different between 2.00 – 4.00 Baht/Kilogram) and the imposed to fix CPO's price at not lower than 19 Baht/Kilogram during March – April by Department of Internal Trade (DIT)

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 the 2nd quarter of 2018, of THB 3.56 million, decreased by THB 2.91 million or 44.95% comparing to the 2nd quarter of 2017, which the realized net loss of THB 6.47 million.

Gross Profit (Loss)

The Company has a gross profit from sales of goods and services for the 2nd quarter 2018 of THB 19.46 million, increased by THB 46.85 million, or 171.05% comparing to the 2nd quarter of 2017, which realized gross loss of THB 27.39 million.

Subsidiaries have gross profit from sales of goods and services for the 2nd quarter 2018 of THB 0.10 million, increased by THB 4.60 million, or 102.22% comparing to the 2nd quarter of 2017, which realized gross loss of THB 4.50 million.



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

For the following reasons;

The result of 2 nd quarter of 2018 (Unit: Million Baht)	Biodiesel	Palm oil	Vessel	Other	Total
	Edible oil	refining	operating	income	revenue
	By-product	service			
Revenues from sales and services	352.85	13.57	13.68	2.12	382.22
Cost of sales and services	(336.71)	(10.25)	(13.58)	0.00	(360.54)
Gross profit (loss) by segment	16.14	3.32	0.10	2.12	21.68
Segment income (%)	92.31	3.55	3.58	0.55	100.00
Sales Sales cost rates. (%)	95.43	75.53	99.27	0.00	94.33

The result of 2 nd quarter of 2017 (Unit: Million Baht)	Biodiesel	Palm oil	Vessel	Other	Total
	Edible oil	refining	operating	income	revenue
	By-product	service			
Revenues from sales and services	611.82	15.99	11.84	4.27	643.92
Cost of sales and services	(641.03)	(14.17)	(16.34)	0.00	(671.54)
Gross profit (loss) by segment	(29.21)	1.82	(4.50)	4.27	(27.62)
Segment income (%)	95.02	2.48	1.84	0.66	100.00
Sales Sales cost rates. (%)	104.77	88.62	138.01	0.00	104.29



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

Compare the results of the operation	Biodiesel	Palm oil	Vessel	Other	Total
	Edible oil	refining	operating	income	revenue
	By-product	service			
Segment revenue variance (million baht).	(258.97)	(2.42)	1.84	(2.15)	(261.70)
The difference of rates revenue by segment (%)	(42.33)	(15.13)	15.54	(50.35)	(40.64)
Sales cost variance (million baht)	(304.32)	(3.92)	(2.76)	0.00	(311.00)
The rate of sales cost variance as (%)	(47.47)	(27.66)	(16.89)	0.00	(46.31)
The difference of cost rates (sales, Upselling %)	(9.35)	(13.08)	(38.74)	0.00	(9.96)

Revenue

The Company and subsidiaries realized the revenue as of the 2nd quarter of 2018, of THB 382.22 million which decreased by THB 261.70 million or 40.64% from the 2nd quarter of 2017, which realized the revenue of THB 643.92 million, where the reasons are summarized as follows;

1. Sales of Biodiesel, Edible oil and By-product

The Company had revenue from sales of biodiesel and by-products for the 2nd quarter of 2018 and 2017 of THB 352.85 million and THB 611.82 million, decreased by THB 258.97 million or 42.33%. Represent a significant portion of the total revenues of 92.31% and 95.02%.

- In 2nd quarter of 2018, Products sold 15,820 tons at average selling price of THB 22,280/ton
- In 2nd quarter of 2017, Products sold 21,954 tons at average selling price of THB 27,840/ton

The Company's products were sold in 2nd quarter of 2018 less than 2nd quarter of 2017 by 6,134 tons or lower by 27.94 %. Due to the competition in discount bidding and average selling price per unit of product decreased by THB 5,560 per ton in relation to the decreasing in raw materials market price (CPO).

- Biodiesel's Quantity sold in 2nd quarter of 2018 was 12,614 tons and in 2nd quarter of 2017 was 15,935 tons, which has decreased by 3,321 tons, and the selling price decreased by THB 5,730 per ton.
- Edible Oil's Quantity sold in 2nd quarter of 2018 was 709 tons, and 2nd quarter of 2017 was 4,131 tons which has decreased by 3,422 tons and selling prices decreased by THB 6,200 per ton.



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

- By-product's Quantity sold, in 2nd quarter of 2018 was 2,498 tons and selling price THB 1,350 per ton, and 2nd quarter of 2017 was 1,888 tons and selling price THB 800 per ton, which the sales volumes had increased by 610 tons and selling prices increased by THB 550 per ton.

2. Refining Service

The Company had revenue from Refining Service for the 2nd quarter of 2018 and 2017 of THB 13.57 million and THB 15.99 million, decreased by THB 2.42 million or 15.13%. Represent a portion of the total revenues of 3.55% and 2.48% respectively.

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

- Refining Service of semi-product for use in biodiesel production in 2nd quarter of 2018 and 2017 were THB 7.82 million and THB 8.95 million. This is due to lower in customer's biodiesel production.
- Refining Service for edible oil in 2nd quarter of 2018 and 2017 were THB 5.76 million and THB 6.84 million. The revenue in this segment was lower since the Company terminated contract with previous customer on May 2018, however was replaced by new signed customer with lower quantity.

3. Sea Freight Service

Revenues from Sea Freight Services operated by the subsidiary (AIL), in the 2nd quarter of 2018 and 2017 was THB 13.68 million and THB 11.84 million, which provided services to overseas customers same as previous year that contributing to total revenue by 3.58% and 1.84% respectively.

4. Other income

The Company and its subsidiaries had revenue from Other Income in the 2nd quarter of 2018 and 2017 for THB 2.12 million and THB 4.27 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.



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

Cost of sales and service

The Company and subsidiaries' cost of sales and services as of the 2nd quarter of 2018 was THB 360.54 million and the ratio of cost of sales over total revenue was 94.33%, the 2nd quarter of 2017 was THB 671.54 million with the ratio of 104.29%, which decreased by 9.96%, where the reasons are summarized as follows.

1. Cost of Sales - Biodiesel and By-product

In 2nd quarter of 2018, cost of sale was THB 336.71 million, with ratio cost of sale to revenue was 95.43%.

In 2nd quarter of 2017, cost of sale was THB 641.03 million, with ratio cost of sale to revenue was 104.77%.

The Company's ratio of cost of sales over total revenue in the 2nd quarter 2018 has decreased from the 2nd quarter 2017 by 9.35%, results from the price of CPO has slightly decreased so the raw materials cost used in production was lower than the selling price and 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
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	0.77	0.84	0.71	-	-	-	-	-	-
2. Ratio sales turnover (days)												
Year2017	63	52	38	34	27	27	29	27	21	39	37	33
Year2018	35	28	35	39	35	40	-	-	-	-	-	-



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

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	-	-	-	-	-	20.70

Source: Department of internal trade, Ministry of Commerce as of July 2018

According to the statistics pricing of CPO above shows the fluctuation of CPO price. Therefore, the Company has set allowance for devaluation of inventories for THB 1.54 million as of 2nd quarter of 2018. Due to in 2nd quarter of 2018 raw material price up and down in a range of THB 18.50 – 24.00 per kilogram, while in 2nd quarter of 2017 set allowance for devaluation of inventories for THB 9.94 million since CPO price is decreased continuously.

2. Cost of Refining Service

- In 2nd quarter of 2018, cost of refining service was THB 10.25 million, with ratio cost of service to revenue was 75.53%.
- In 2nd quarter of 2017, cost of refining service was THB 14.17 million, with ratio cost of service to revenue was 88.62%.

The ratio of cost of refining service to revenue was decreased by 13.08% from the 2nd 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 2nd quarter of 2018, cost of service was THB 13.58 million, with ratio cost of service to revenue was 99.27%.
- In 2nd quarter of 2017, cost of service was THB 16.34 million, with ratio cost of service to revenue was 138.01%.



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

The ratio of cost of service to revenue from sea freight service was decreased by THB 2.76 million or 16.89% in the 2nd quarter of 2018 from the 2nd quarter of 2017. Because ships can be serviced as usual after the overhaul was completed.

Selling expenses

The Company and its subsidiaries' selling expense consist of domestic freight and custom charge for exporting. As of the 2nd quarter of 2018 was THB 1.63 million, which decreased by THB 1.00 million or 38.14% from THB 2.63 million in the 2nd quarter of 2017. Due to most of the sales were ex-work and decreased in export.

Administration Expenses

The Company and subsidiaries' administration expenses for the 2nd quarter of 2018, was THB 20.96 million which increased by THB 1.05 million or 5.29% from administration expenses the amount of THB 19.91 million in the 2nd quarter of 2017.

The financial cost

The Company and subsidiaries have financial cost of THB 0.08 million in the 2nd quarter of 2018 when compared with the 2nd quarter of 2017 financial cost was THB 0.67 million, which decreased by THB 0.59 million or 87.99%.

Please be informed accordingly

Yours Sincerely,

AI Energy Public Company Limited

(Miss Pimwan Thareratanavibool)

Managing Director

Corporate Secretary Tel: 034-877-485-8 Ext. 500

Email: ir@aienergy.co.th