



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)

AI Energy Public Company Limited

ทะเบียนเลขที่ 0107556000311

AIE 029/2019

23 May 2019

**Subject:** Application to resolve causes of delisting and to resume trading on the Stock Exchange of Thailand

**To:** The President  
The Stock Exchange of Thailand

**Enclosed:** Information Memorandum of AI Energy Public Company Limited

As the Company and its subsidiaries' former auditor (Dr. Virach & Associates Office Co., Ltd) has expressed a Disclaimer of Opinion on the Company and its subsidiaries' consolidated and separate financial statement for the year 2014 (Before restated) due to the scope of auditing was limited by management regarding to an ineffective of internal control regarding to cost of sales and inventories including misappropriation of assets utilization. As a result, information and evidence about the production transaction is not reasonable and the controlling process of taking raw materials and goods in and out of the factory is not proper. The uncertainty in the accuracy and completeness of audit information and evidence has impact on cost of sales and inventories including other related accounts. Then, the Securities and Exchange Commission ("SEC") notified the Company to cooperate with auditors to rectify the mentioned financial statement. However, the Company was late to submit the restated financial statement to the SEC which causing the Company's securities is subject to possible delisting.

Presently, the Company has the required qualifications in compliance with the criteria for causes of delisting removal and to resume trading by submitted all the financial statements that SEC had notified the Company to rectify; the Company and its subsidiaries' consolidated and separate financial statement for the year 2014 (Restated), for 1<sup>st</sup> – 3<sup>rd</sup> quarters of 2015 (Restated), and for the year 2015 (Restated), as well as promptly submitted its and its subsidiaries' consolidated and separate financial statement on time for at least 2 consecutive periods since 1<sup>st</sup> quarter of 2018 till 1<sup>st</sup> quarter of 2019 with Qualified Opinion on matters that not related to an ineffective of internal control and the scope of auditing was not limited by management. Hence, the Company has accordingly submitted the application to the Stock Exchange of Thailand ("SET") for consideration of the Company to remove from possible delisting and to resume trading in SET. The details are as follows:



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### **Causes of Delisting**

The Company's former auditor disclaimed an opinion on the Company's consolidated and separate financial statements for the year ended December 31, 2014 (Before restated) due to the scope of auditing was limited by management regarding to an ineffective of internal control related to cost of sales and inventories as mentioned above. Then, the SEC notified the Company to cooperate with auditors to rectify the mentioned financial statement. However, the Company was late to submit the restated financial statement to the SEC which causing the Company's securities is subject to possible delisting.

### **Correcting the Causes of Delisting Removal**

The Company was not complacent about the fact that the former auditor has expressed a disclaimer of opinion on the Company's consolidated and separate financial statements for the year 2014 (Before restate) and denied the appointment as the Company's auditor. The Company has urged the recruitment of new auditors until ANS Audit Co., Ltd. ("ANS") accepts to be an auditor for the Company. The Company's executives have cooperated with ANS and related parties involved in various actions to fulfill the qualification requirement in compliance with the criteria for causes of delisting removal as follows;

1. In 2015, the Company has issued invitation letters to approximately 20 auditors' firms, approved by the office of SEC, to audit the Company's consolidated and separate financial statements for the year 2014 (Restate version) onwards. There was ANS who accepted the invitation to audit and certify the Company's consolidated and separate financial statements for the year 2015 onward, except the consolidated and separate financial statements for the year 2014 (Restate version) because at the time ANS had no knowledge of the causes of the former auditor's disclaimed opinion on the Company's consolidated and separate financial statements for the year 2014 (Before restated).
2. The Company has appointed Honor Audit and Advisory Co., Ltd. ("Honor") as an internal audit to perform a special audit by examining 100% of documents that the Company prepared for the consolidated and separate financial statements for the year 2014 (Restated version). The special audit was performed on the facts and crucial evidences effectively and determined guidelines for the adjusted transactions that required in accordance with the facts and evidences found and the accounting principles. The special audit reports were released on



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quarterly basic and use them as information for potential auditors to accept the invitation of auditing the consolidated and separate financial statements for the year 2014 (Restated version). The special audit reports have shown an ineffective of internal control as the former auditor expressed the facts in auditor's report, since there was consistency in information from the comparison between raw material purchased for production transactions and raw material received for production services transactions with product sales reports and production services' delivery reports, where the special audit found that the Company has delivered production services' products exceeded raw material received from production services' customers. Then, the Company's accounting department adjusted transactions and accounting records from sales of products transaction into production services transaction, which cause the Company's net loss decreased from 96.88 million baht to 90.67 million baht or decreased by 6.20%, does not significantly affect the financial statement and the effect does not cause the Company's shareholders equity to be below zero.

3. For the abnormal production yield in Biodiesel production, which ANS could not obtain sufficient and appropriate evidence in 2015. The Company has proved by hired National Metal and Materials Technology Center ("MTEC") examined on the Company's biodiesel production process to evaluate the abnormal production yield and found that biodiesel was loss in washing process which correlated with the production yield, due to incompleteness of layering. ANS accepts the management's explanation after examined calculations and related production reports together with MTEC report.
4. The Company has continuously appointed Honor Audit and Advisory Co., Ltd. ("Honor") as an internal auditor. The Company has been improved the internal control system by determined additional policies to control raw materials and products in and out from the factory, corrected and improved the Company's standards and procedures in each department to be more concise and comprehensive in accordance with ANS's report of findings and recommendations in Managerial Letter since 2015 to 2018. The Company requires internal audit by Honor on quarterly basic, which did not find the same ineffective of the internal control that occurred in 2014 and there were no significant deficiencies that impact to the reliability of the internal control system that may affect the financial statements. However, the Company emphasizes on followed up the internal audit report (Refer to internal audit report as of 1<sup>st</sup> of 2019) and managerial letter from ANS (There are no observations and suggestions about the internal control system as of 2018) in order to correct and improve the



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Company's internal control system more efficient and effective under audit committee and executives supervision in timely manner. ANS also participated in the inventories count observation quarterly for the reliability of the inventories balance.

In addition to the above actions, the Company's executives and managements has determined the monthly meeting between the main departments such as factory department, production department, and accounting department to report and discuss various information, analyzed data, and solve the inconsistency such as yield rate, raw material utilization rate, and differences from inventories count observation. So, the management can promptly access to problems and correct them in timely manner and prepare monthly in-house financial statements to propose to the Executive Committee and the Audit Committee consider the performance of the Company, also quarterly and annually submit the financial statements to SEC and SET at the specified time.

5. SEC has accused two former directors and executives (Managing Director and Accounting and Finance Director) in case of the preparation of incorrect financial statements for the year 2014 (Before restated) and deficiency in performing duties as directors and executives, hence immediately disqualified as directors and executives of the listed company. Those two directors and executives have resigned from their positions before the accusation, therefore the Board of Director Meeting No.3/2017 has resolved to appoint director and executive to substitutes them. Consequently, ANS has decided to audit the Company's consolidated and separate financial statement for the year 2014 (Restated) after acknowledge the SEC's accusation and the results in special audit report from internal auditor, together with considering the auditing environment and characteristics of current directors and executives.

#### **Criteria for causes of delisting removal and Resume Trading**

1. The auditors of the Company (ANS Audit Company Limited) has audited and reviewed the consolidated and separate financial statements for the year 2014 (Restated), for the 1<sup>st</sup> -3<sup>rd</sup> quarters of 2015 (Restated), and for the year 2015 (Restated) that SEC has notified to edit and restate, which were submitted to SEC and SET for consideration on 26 April 2018 (the consolidated and separate financial statement for the 1<sup>st</sup> - 3<sup>rd</sup> quarters of 2016 and for the year 2016 were already submitted to SEC and SET on 28 February 2017)



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2. The Company was able to submit the consolidated and separate financial statement on time at least 2 consecutive accounting periods since the 1<sup>st</sup> quarter of 2018 to the 1<sup>st</sup> quarter of 2019, which the auditor expressed an unqualified opinion on matters that not related to an ineffective of internal control and the scope of auditing was not limited by management. There are no observations and suggestions about the internal control system as of 2018 from ANS (Managerial Letter).
3. The Company has been improved the internal control system according to the recommendations of the auditor and internal auditor, along with closely monitoring to prevent the Company from problems that occurred in the past.

The Board of Directors meeting held on 26 February 2019 and 14 May 2019, including 3 member of audit committees, has considered and approved the adequacy of the internal control system report that audited by Honor on quarterly basic. Honor, an internal auditor has audited and followed-up the ineffective in internal control system that occurred in the past, found that the Company has appropriately and adequately resolved. From the internal control report as of 1<sup>st</sup> quarter of 2019, there is no deficiency in internal control system that significantly impact on the credibility of the internal control system that affects the auditing of the financial statements.

However, the internal auditor has evaluated the Company's internal control system and the implement of anti-corruption policy, which is an extension of the internal audit's scope due to the Company was already certified by the Private Sector Collective Action Coalition Council as member on 5 February 2019. The internal auditor found that the anti-corruption policies and guidelines are not completely clear such as the charter of the audit committee does not specify the duties of the audit committee to monitor and evaluate the anti-corruption procedures, and does not clearly determine authorities, duties and responsibilities of all sub-committees regarding the anti-corruption policy in writing form. However, the Company has already improved and revised in accordance to the recommendation above and will be presented to the Board of Directors for approval in July 2019.



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**The Company's Performance and Business Plan**

Statement of Comprehensive Income	Consolidated (Reviewed)		Consolidated (Audited)		Consolidated (Audited)		Consolidated (Audited)	
	31 Mar 2019		31 Dec 2018		31 Dec 2017		31 Dec 2016	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
<b>Total revenue</b>	<b>424.02</b>	<b>100.00</b>	<b>1,562.80</b>	<b>100.00</b>	<b>2,461.06</b>	<b>100.00</b>	<b>3,489.97</b>	<b>100.00</b>
Revenues from sale of goods	412.51	97.12	1,459.23	92.89	2,176.30	88.43	3,416.58	97.90
Revenues from production service	5.07	1.19	49.46	3.15	77.03	3.13	32.58	0.93
Revenues from vessel operating	6.44	1.52	54.11	3.44	32.92	1.34	29.94	0.86
<b>Cost of Sales and Services</b>	<b>448.36</b>	<b>105.74</b>	<b>1,534.44</b>	<b>98.19</b>	<b>2,399.58</b>	<b>95.82</b>	<b>3,323.36</b>	<b>95.23</b>
Cost of sales	436.78	105.88	1,444.40	98.98	2,295.83	91.68	3,267.53	93.63
Cost of production service	3.72	73.37	36.37	73.53	62.98	2.52	26.85	0.77
Cost of vessel operating	7.86	122.02	53.67	99.19	40.77	1.63	28.98	0.83
<b>Gross profit (Loss)</b>	<b>(24.34)</b>	<b>(5.74)</b>	<b>28.36</b>	<b>1.81</b>	<b>(113.33)</b>	<b>(4.96)</b>	<b>155.74</b>	<b>4.48</b>
Other revenues	0.74	0.17	8.12	0.52	174.81	7.10	10.87	0.31
<b>Profit (Loss) before expenses</b>	<b>(23.60)</b>	<b>(5.57)</b>	<b>36.48</b>	<b>2.33</b>	<b>61.48</b>	<b>2.50</b>	<b>166.61</b>	<b>4.77</b>
Selling expenses	4.43	1.05	8.33	0.53	11.95	0.48	32.32	0.93
Administrative Expenses	15.57	3.67	79.87	5.11	90.95	3.63	81.64	2.34
Loss on impairment of property, plant and equipment	0.00	0.00	17.40	1.11	0.00	0.00	0.00	0.00
<b>Profit (Loss) before financial cost and taxes</b>	<b>(43.60)</b>	<b>(10.28)</b>	<b>(69.12)</b>	<b>(4.43)</b>	<b>(41.42)</b>	<b>(1.68)</b>	<b>52.65</b>	<b>1.51</b>
Financial cost	0.00	0.00	0.00	0.00	1.72	0.07	8.01	0.23
<b>Profit (Loss) before income taxes</b>	<b>(43.60)</b>	<b>(10.28)</b>	<b>(69.12)</b>	<b>(4.43)</b>	<b>(43.15)</b>	<b>(1.75)</b>	<b>44.64</b>	<b>1.28</b>
Income tax	(0.02)	(0.00)	(3.20)	(0.20)	(29.13)	(1.18)	(1.93)	0.06
Employee benefit actuarial gains	0.00	0.00	2.29	0.15	0.00	0.00	1.38	0.04
Income tax on other comprehensive income	0.00	0.00	(0.49)	(0.03)	0.00	0.00	(0.30)	(0.01)
<b>Profit (Loss) for the period</b>	<b>(43.62)</b>	<b>(10.28)</b>	<b>(70.52)</b>	<b>(4.49)</b>	<b>(72.28)</b>	<b>(2.94)</b>	<b>43.78</b>	<b>1.25</b>
Loss attributable to:								



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	31 Mar 2019		31 Dec 2018		31 Dec 2017		31 Dec 2016	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Equity holders of the parent	(43.62)	(10.28)	(72.32)	(4.60)	(72.28)	(2.94)	43.78	1.25
Non-controlling interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Profit (Loss) for the period</b>	<b>(43.62)</b>	<b>(10.28)</b>	<b>(72.32)</b>	<b>(4.60)</b>	<b>(72.28)</b>	<b>(2.94)</b>	<b>43.78</b>	<b>1.25</b>
Profit (Loss) per share (Baht/share)	(0.0083)		(0.015)		(0.016)		0.01	
Par value (Baht/share)	0.25		0.25		0.25		1.00	
Book value	0.34		0.35		0.38		0.40	
Number of common stocks (Million stocks)	5,232.29		5,232.29		4,520.00		4,520.00	

### Revenue from Sales and Services

The Company realized the revenue as of 2018 for 1,562.80 million Baht which decreased by 723.45 million Baht or 31.64% from the previous year. The Company's revenue in the 1<sup>st</sup> quarter of 2019 ended as of 31 March 2019 was 424.02 million Baht which decreased by 18.04 million Baht or 4.08% from the 1<sup>st</sup> quarter of 2018, where the reasons are summarized as follows;

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

The Company's revenue from sales of biodiesel, edible oil and by-products in 2018 was 1,459.23 million Baht which decreased by 717.07 million Baht or 32.95% from 2017. The Company's revenue from sales of biodiesel, edible oil and by-products in the 1<sup>st</sup> quarter of 2019 ended 31 March 2019 was 412.51 million Baht which increased by 0.78 million Baht or 0.19% from the same period of previous year. Due to the increased in quantities sold in both biodiesel and edible oil in the 1<sup>st</sup> quarter of 2019 by 19.57% comparing to those were sold in the 1<sup>st</sup> quarter of 2018, while the average selling price per unit of product were decreased by 19.35%, where the reasons of changing in quantity and selling price are summarized in each product as followed.



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- **Biodiesel:** In 2018, the revenue from biodiesel was 1,295.07 million Baht, which decreased by 635.11 million Baht or 32.90% comparing to 2017 due to the quantities sold was decreased by 18.32%, which the Company was awarded with less quantities than the previous year from the competition in discount bidding. While the average selling price was decreased in relation to the decreased in CPO's prices (Main raw material). For the 1<sup>st</sup> quarter of 2019, the revenue from biodiesel was 333.91 million Baht, which decreased by 52.45 million Baht or 13.58% as a result of the decreased in the average selling price per unit of product by 25.89%, while the quantity sold was increased by 8.80% when compared to the 1<sup>st</sup> quarter of 2018. Since in the 1<sup>st</sup> quarter of 2019 the Company was awarded from some customers that did not get in the 1<sup>st</sup> quarter of 2018.
- **Edible Oil:** In 2018, the revenue from edible oil was 86.63 million Baht, which decreased by 43.82 million Baht or 33.59% comparing to 2017 due to the quantities sold was decreased 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. For the 1<sup>st</sup> quarter of 2019, the revenue from edible oil was 67.77 million Baht, which increased by 67.77 million Baht or 100% since there was no sale of edible oil in the 1<sup>st</sup> quarter of 2108, where the Company changed its policy to provide production service.
- **By-product:** In 2018, the revenue from by-product was 77.53 million Baht, which decreased by 38.15 million Baht or 32.98% comparing to 2017 due to the quantities sold was decreased by 48.78% while the selling price was increased by 30.85% in relation to a decreased in biodiesel's sold. For the 1<sup>st</sup> quarter of 2019, the revenue from by-product was 10.84 million Baht, which decreased by 14.54 million Baht or 57.29% when compared to the same period in 2018 due to the quantities sold was decreased by 41.81% while the selling price was decreased by 36.25%. Moreover, the Company is currently not selling crude glycerine since October 2018 in order to use them in commissioning Refined Glycerine Plant. The Company will only sell by-products that excess the need in biodiesel productions.





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### **Revenue from Refining Service**

In 2018, the revenue from refining service was 49.46 million Baht, which decreased from 2017 by 27.57 million Baht or 35.79%. The refining service of edible oil was decreased by 22.28 million Baht or 58.85% since the Company terminated contract with both customers in May 2018 and September 2018 after they breached the agreements. Also, the refining service of semi-product for use in biodiesel production was decreased by 5.29 million Baht or 13.50% due to lower in customer's biodiesel production.

For the 1<sup>st</sup> quarter of 2019, the revenue from refining services was 5.07 million Baht, which decreased by 11.58 million Baht or 69.55% when compared to the same period in 2018 since the Company terminated contract with both customers as mentioned above.

### **Sea Freight Service**

In 2018, the Company and subsidiaries had revenue from sea freight service of 54.11 million Baht, increasing from 2017 by 21.19 million Baht or 64.37% due to continuously increasing in sea freight service after temporarily stop sea freight service for major repaired in June 2017.

For the 1<sup>st</sup> quarter of 2019, the revenue from sea freight service was 6.44 million Baht, which decreased from the same period of previous year by 7.24 million Baht or 52.93% due to yearly maintenance between the period from January to the beginning of March 2019.

### **Other Income**

The Company and subsidiaries' other income consist of storage tanks rental, sales of scrap materials, interest income, gain on change in fair value of short-term investment and gain on exchange rates, etc. In 2018, the Company and subsidiaries' other income was 8.12 million Baht which decreased by 166.69 million Baht or 914.03% when compared to 2017 due to there was other income of 156.57 million Baht that came from profit from one of the subsidiaries sold its assets.

For the 1<sup>st</sup> quarter of 2019, the other income was 0.73 million Baht, which decreased from the same period of previous year by 1.72 million Baht or 70.00% due to the decreased in interest income, gain on change in fair value of short-term investment, and sales of scrap materials.



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### Cost of Sales and Services

In 2018, the Company's cost of sales and services was 1,534.42 million Baht, which decreased by 865.15 million Baht or 36.05% comparing to 2017 due to the decreased in quantities sold and in cost of sales and services. The profitability in 2018 was improved from 2017, where the Company uses a strategy to set policies to be used as a guideline to cope with the volatility of CPO prices by focusing on the importance of purchasing and managing raw materials turnover to be less than 45 days. The CPO prices were fluctuated in 2018 (in range of 7.00 Baht/Kilogram between 23.00 – 16.00 Baht/Kilogram), which were less fluctuated than in 2017 (in 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 loss on impairment of investment in subsidiary (AIL) of 17.31 million Baht and allowance for doubtful accounts of 2.78 million Baht.

For the 1<sup>st</sup> quarter ended 31 March 2019, the Company's cost of sales and services was 448.36 million Baht, which increased by 20.17 million Baht or 4.71% comparing to the 1<sup>st</sup> quarter ended 31 March 2018. Even though, the Company still apply strategic in managing raw materials turnover to be less than 45 days but the CPO prices in the 1<sup>st</sup> quarter of 2019 were in the range of 2.25 Baht/Kilogram between 17.00 – 14.75 Baht/Kilogram, while in the 1<sup>st</sup> quarter of 2018 were in the range of 1.50 Baht/Kilogram between 21.00-19.50 Baht/Kilogram (Source: DIT). The Company realized its stock loss of 19.25 million Baht from the recording NRV on 31 March 2019, as well as loss on impairment of investment in subsidiary (AIL) of 2.00 million Baht. The reasons are summarized as follows.

### Cost of Sales – Biodiesel, Edible Oil and By-products

In 2018, the Company's cost of sales – Biodiesel, Edible Oil and By-products were 1,444.40 million Baht, which decreased by 851.43 million Baht or 37.09% comparing to 2017. For the 1<sup>st</sup> quarter of 2019, the Company's cost of sales – Biodiesel, Edible Oil and By-products were 436.78 million Baht, which increased by 34.44 million Baht or 8.56% when compared to the same period in previous year. Due to the cost of raw materials used in production were higher than the selling price and the cost of by-products were higher as the same reason in 2018. Reasons are summarized as follows.

- **Biodiesel:** In 2018, the cost of sales-biodiesel was 1,284.83 million Baht, the ratio of cost of sales to total revenue was 99.21% which decreased from 2017 for 8.13%. This is due to the



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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. In 1<sup>st</sup> quarter of 2019, the cost of sales-biodiesel was 365.44 million Baht, the ratio of cost of sales to total revenue was 109.44% which increased from 1<sup>st</sup> quarter of 2018 for 10.91% due to the fluctuation of CPO's price in the 1<sup>st</sup> quarter of 2019. The Company has been affected by the reducing market price of CPO, causing drop in selling price, related to EPPO price announcement. Hence, the Company made losses from high cost of inventory.

- **Edible Oil:** In 2018, the cost of sales-edible oil was 76.49 million Baht, the ratio of cost of sales to total revenue was 88.29% which decreased from 2017 for 9.01%. In 1<sup>st</sup> quarter of 2019, the cost of sales-edible oil was 56.55 million Baht with the ratio of cost of sales to total revenue was 83.44%, and there was no edible oil sold in 1<sup>st</sup> quarter of 2018. The Company is 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.
- **By-product:** In 2018, the cost of sales – By-product was 83.09 million Baht, the ratio of cost of sales to total revenue was 107.17% which increased from 2017 for 22.67%. In 1<sup>st</sup> quarter of 2019, the cost of sales – By-product was 14.79 million Baht with the ratio of cost of sales to total revenue was 136.53%, which increased from the same period in previous year for 51.12% or increased by 59.76%. This is due to the Company has determined the cost of by-products according to the market selling prices since the 1<sup>st</sup> quarter of 2018, but from the 4<sup>th</sup> quarter of 2018 the market selling price was decreased to lower than cost of by-products which lead to realizes a gross operating loss form sale of by-products.
- Since the 4<sup>th</sup> quarter of 2018 the Company was not selling crude glycerine in order to use them as raw material in commissioning Refined Glycerine Plant. 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).

### **Cost of Refining Services**

In 2018, the cost of refining services was 36.37 million Baht which decreased by 26.61 million Baht or 42.25% when compared to 2017 since the Company terminated contract with refining service for edible oil customers.



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For the 1<sup>st</sup> quarter of 2019, the Company's cost of refining services was 3.72 million Baht, which decreased by 8.43 million Baht or 69.38% comparing to the 1<sup>st</sup> quarter of 2018 due to the contract terminations as mentioned above.

### **Cost of Sea Freight Service**

In 2018, the cost of sea freight services was 53.66 million Baht which increased by 12.89 million Baht or 31.63% when compared to 2017 in relation to continuously increasing in sea freight services.

For the 1<sup>st</sup> quarter of 2019, the Company's cost of sea services was 7.86 million Baht, which decreased by 5.85 million Baht or 42.65% comparing to the 1<sup>st</sup> quarter of 2018 due to temporarily stop sea freight service for yearly maintenance between the period from January to the beginning of March 2019.

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

In 2018, the Company has a gross profit from sales of goods and services of 27.92 million Baht, increased by 133.40 million Baht or 126.47% comparing to 2017 due to the CPO prices were less fluctuated in 2018 than those in 2017. The Company and subsidiaries have realized gross profit from services of 0.45 million Baht comparing to 2017, which realized a gross loss from services of 7.85 million Baht due to AIL is continuously starting provide sea freight services after temporarily suspended its operation for major repaired in June 2017.

For the 1<sup>st</sup> quarter of 2019, the Company has realized gross loss from sales of goods and services of 22.92 million Baht, which increased by 36.81 million Baht or 265.01% comparing to those in the 1<sup>st</sup> quarter of 2018. This is due to the CPO prices is continuously decreasing and the cost of sales were higher than the product's selling price, hence 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 the loss on impairment of investment in subsidiary (AIL) of 2.00 million Baht. There was a gross loss from sales of services of 1.42 million Baht, comparing to same period in 2018 which realized a gross loss from sales of services of 0.02 million Baht due to temporarily stop sea freight service for yearly maintenance between the period from January to the beginning of March 2019.

### **Selling Expenses**

In 2018, the Company and subsidiaries' selling expenses consist of domestic freight, was 8.33 million Baht which decreased by 3.61 million Baht or 30.25% from those in 2017 since most of the sales



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were in an ex-work term and 95% domestic. Therefore, the exporting expenses were reduced when compared to 2017.

For the 1<sup>st</sup> quarter of 2019, the Company and subsidiaries' selling expenses consist of domestic freight, was 4.43 million Baht which increased by 2.62 million or 144.75% when compared to the 1<sup>st</sup> quarter of 2018. Due to most of the sales in the 1<sup>st</sup> quarter of 2019 were delivered to customer's site.

### **Administration Expenses**

In 2018, the Company and subsidiaries have administration expenses of 97.27 million Baht which increased by 6.32 million Baht or 6.95% comparing to 2017, consisted of the provision for impairment of the investment in subsidiary (AIL) of 17.31 million Baht and impairment of subsidiary (AIPT)'s property, plant and equipment of 17.40 million Baht

In the 1<sup>st</sup> quarter of 2019, the Company and subsidiaries have administration expenses of 15.57 million Baht which decreased by 4.03 million Baht or 20.56% from the 1<sup>st</sup> quarter of 2018, consisted of loss from disposal of assets decreased for 1.87 million Baht and income tax of subsidiaries (AIPT) decreased for 2.76 million Baht.

### **Financial Cost**

In 2018 and the 1<sup>st</sup> quarter of 2019, the Company and subsidiaries have no borrowing for working capital from financial institutions.

### **Net Profit (Loss)**

In 2018, the Company and subsidiaries realized net loss of 72.32 million Baht which increased by 0.04 million Baht or 0.06%. This is due to the CPO price was reached the lowest in the past 10 years, which the Company realized its stock loss of 2.75 million Baht from the recording as NRV as well as recording the loss on impairment of investment in subsidiary (AIL) of 17.31 million Baht and allowance for doubtful accounts of 2.78 million Baht.

In the 1<sup>st</sup> quarter of 2019, the Company and subsidiaries realized net loss of 43.62 million Baht which increased by 37.40 million Baht or 601.29% from the same period of the previous year. Since the CPO prices was more fluctuated in the 1<sup>st</sup> quarter of 2019 (in the range of 2.25 Baht/Kilogram between 17.00 – 14.75 Baht/Kilogram) than those in the 1<sup>st</sup> quarter of 2018 (in the range of 1.50 Baht/Kilogram



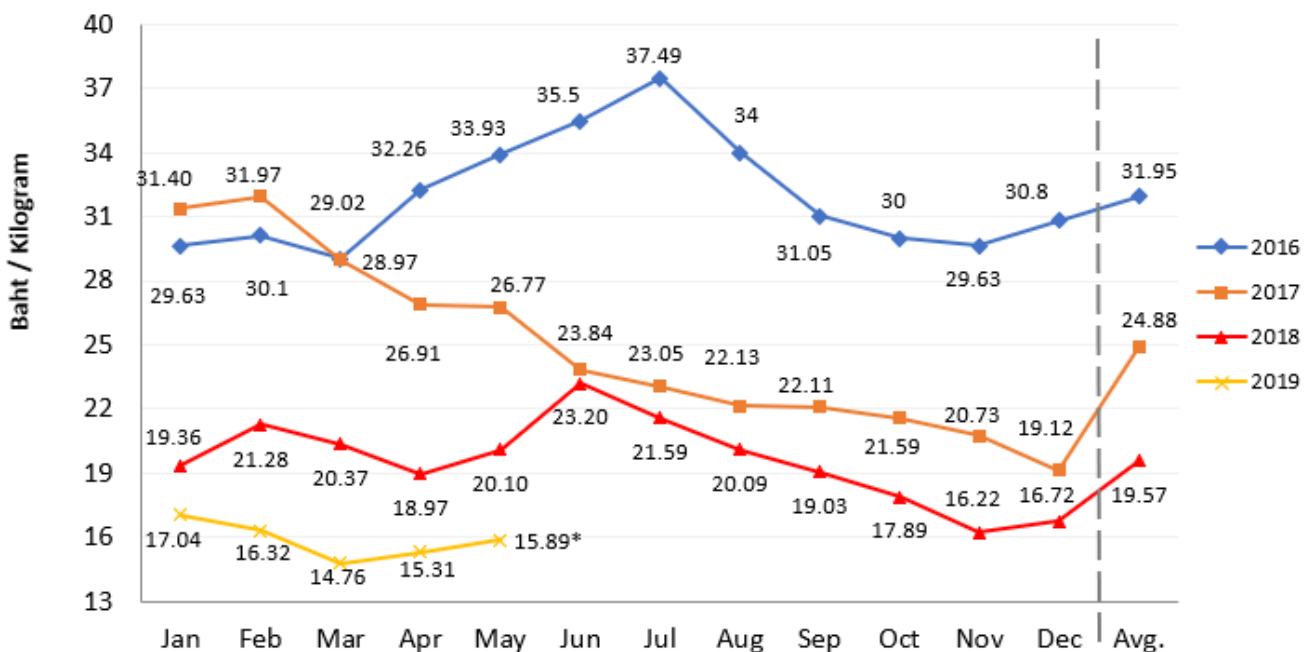
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between 21.00-19.50 Baht/Kilogram) (Source: DIT). The Company realized stock loss from recording NRV of 19.25 million Baht and loss on impairment of investment in subsidiary (AIL) of 2.00 million Baht.

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 up to 30-45 days, sufficient for production and delivery each month under the contract of quarterly and yearly orders only.



**Remark:** \*Price at 13 May 2019

**Source:** The average monthly CPO prices, DIT, Ministry of Commerce

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



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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 expected to commercially run in 2<sup>nd</sup> quarter of 2019, which is expected to improve the Company's gross profit margin ability 5%-10% quarterly 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 loss.

In the future, the Company is expected that the demand for biodiesel within the country will increase since the biodiesel blend in diesel mandate; B10 has been announced and will be enforced to sell to general vehicles in nearly future. Such government policy will increase the demand for biodiesel from 4 million liters per day (B7) to 6 million liters per day (B10). However, the Company currently has sufficient production capacity and is ready to accommodate the expected demand.

Please be informed accordingly

Yours Sincerely,



Miss Pimwan Thareratanavibool

Managing Director

AI Energy Public Company Limited