



AIE 040/2017

March 1, 2017

Subject: Management's Discussion and Analysis for 3<sup>rd</sup> quarter ended as of September 30, 2016

Attention: President

The Stock Exchange of Thailand

AI Energy Public Company Limited (AIE) would like to submit the company and its subsidiaries financial statement for 3<sup>rd</sup> quarter ended as of September 30, 2016, which details are as following;

Results	Q3/2016	Q3/2015	Increase (Decrease)	
	Million Baht	Million Baht	Million Baht	Percentage
Total Revenues	732.21	851.16	(118.95)	(13.98)
Cost of Goods Sold and Service	(724.05)	(874.85)	(150.80)	(17.24)
Sell and Administration Expenses	(28.04)	(29.73)	(1.69)	(5.68)
Net Profit (Loss)	(20.16)	(52.45)	(32.29)	(61.56)
Earnings per share (Baht per share)	0.00	(0.01)	0.01	100

### Net Profit

The company and subsidiaries realized net loss of the 3<sup>rd</sup> quarter ended as of September 30, 2016, of THB 20.16 million, decreased for THB 32.29 million or 61.56% comparing to the 3<sup>rd</sup> quarter ended as of September 30, 2015, which the realized net loss was THB 52.45 million, for the following reasons;

### Revenue

The company and subsidiaries realized the revenue as of the 3<sup>rd</sup> quarter ended as of September 30, 2016, of THB 732.21 million which decreased by THB 118.95 million or 13.98% from the 3<sup>rd</sup> quarter ended as of



September 30, 2015, which realized the revenue THB 851.16 million, where the reasons are summarized as follows.

### **1. Manufacture and Sales of Biodiesel**

Revenues from sales of biodiesel business to total revenue for the 3<sup>rd</sup> quarter of 2016 and 2015 were 73.33% and 81.22% respectively.

- In 3<sup>rd</sup> quarter of 2016, revenue from Biodiesel was THB 536.56 million, or has contributed to total Palm Oil Revenue at 71.88%
- In 3<sup>rd</sup> quarter of 2015, revenue from Biodiesel was THB 684.65 million, or has contributed to total Palm Oil Revenue at 75.74%

The revenue from Biodiesel in the 3<sup>rd</sup> quarter of 2016 has decreased from the 3<sup>rd</sup> quarter of 2015 for THB 148.09 million or 21.63%. In 3<sup>rd</sup> quarter of 2016 the Company's sale volume was 14,710 tons at the average selling price THB 36,460 / ton, while in 3<sup>rd</sup> of 2015 was 27,770 tons at the average selling price THB 24,730 / ton, which has decreased by 13,060 tons or 47.03% and the average selling price were higher than the 3<sup>rd</sup> quarter of 2015 by THB 11,730. The average selling price was fluctuated in correlation to the price of the Crude Palm Oil (CPO), where in July 2016 CPO tended to steeply increase since the volume of crude palm oil was inadequate to the consumption demand of edible oil. Therefore, the government has announced to reduced its mandate from B7 biodiesel blend to B5 biodiesel blend in Diesel since July 25, 2016. Then, in August 25, 2016 the government has an 2<sup>nd</sup> announced to reduce the Biodiesel blending mandate to B3 in order to maintain the equilibrium of crude palm oil pricing. The mentioned situation has effected the Company realized loss on diminish in inventory value approximately THB 50 million.

### **2. Manufacture and Sales of Edible Oil**

Revenues from sales of Edible Oil (Palm Olien) to total revenue for the 3<sup>rd</sup> quarter of 2016 and 2015 were 23.50% and 31.77% respectively.

In 3<sup>rd</sup> quarter of 2016, revenue from Edible Oil was THB 171.89 million, sold 4,299 tons at average selling price of THB 39.98 / Kilogram. In 3<sup>rd</sup> quarter of 2015, revenue from Edible Oil was THB 267.80 million, sold 8,159 tons at average selling price of THB 32.82 / Kilogram. The revenue



from Edible Oil in the 3<sup>rd</sup> quarter of 2016 has decreased from the 3<sup>rd</sup> quarter of 2015 for THB 95.91 million or 35.81%, resulted by high pricing competition and no expansion to new customers' base.

### **3. Refining Service**

Revenues from Refining Service to total revenue for the 3<sup>rd</sup> quarter of 2016 and 2015 were 0.98% and 1.82% respectively.

The revenue from Refining Service in the 3<sup>rd</sup> quarter of 2016 is THB 7.17 million which has decreased by THB 8.14 million or 53.19% from the 3<sup>rd</sup> quarter of 2015 was THB 15.31 million.

### **4. Ports and Terminal Services and Ice Cube Factory Business**

Revenues from Ports and Terminal Services, the subsidiary (AIPT) were received from the Company who was only customer to AIPT, therefore such transaction will not show in Revenue. Revenue from Ice Cube Factory to total revenue for the 3<sup>rd</sup> quarter of year 2016 and 2015 were 0.85% and 0.83% respectively. Since September 2016 AIPT has ceased its operation in AIPT-Samut Sakhon in order to sell its property to buyer.

AIPT's revenue from Sale of Ice Cube in the 3<sup>rd</sup> quarter of 2016 is THB 6.20 million which has decreased by THB 0.76 million or 10.92% from the 3<sup>rd</sup> quarter of 2015.

### **5. Sea Freight Carrier Business**

In 3<sup>rd</sup> quarter of 2016 AIL has no income from Sea Freight service of transferring the Crude Palm Oil between AIPT-Chumphon and AIPT-Samut Sakhon.

### **6. Other Income**

The Company and the Subsidiaries had Revenues from Other Income to total revenue for the 3<sup>rd</sup> quarter of 2016, revenue from Other Income was THB 0.48 million decreased by THB 7.71 million or 94.14% from the 3<sup>rd</sup> quarter of 2015.



### **Cost of Sales and Services**

The company and subsidiaries realized the cost of sales and services as of the 3<sup>rd</sup> quarter of 2016 of THB 724.05 million and the ratio of cost of sales over total revenue was 98.95%, which decreased by 4.65% comparing to the 3<sup>rd</sup> quarter of 2015, where the reasons are summarized as follows.

1. Cost of Sales - Biodiesel in the 3<sup>rd</sup> quarter of 2016, cost of sale was THB 510.72 million, with ratio of cost of sale to revenue was 95.18%.
2. Cost of Sales – Edible Oil in the 3<sup>rd</sup> quarter of 2016, cost of sale was THB 185.91 million, with ratio of cost of sale to revenue was 108.16%.
3. Cost of Refining Service in the 3<sup>rd</sup> quarter of 2016, cost of refining service was THB 5.20 million, with ratio of cost of service to revenue was 72.59%.
4. Cost of Sale – Ice Cube in the 3<sup>rd</sup> quarter of 2016, cost of sale was THB 4.85 million, with ratio of cost of sale to revenue was 78.23%.
5. Cost of Sea Freight Service in the 3<sup>rd</sup> quarter of 2016, has no income.

### **Selling Expenses**

The company's selling expenses as of the 3<sup>rd</sup> quarter of 2016, ended as of September 30, 2016, was THB 6.98 million, which decreased by THB 3.20 million or by 31.44% from selling expenses the amount of THB 10.18 million in the 3<sup>rd</sup> quarter of 2015. Mostly are transportation and goods in transit insurance expenses.

### **Administration Expenses**

The company's administration expenses for the 3<sup>rd</sup> quarter of 2016 ended as of September 30, 2016, was THB 19.41 million which increased by THB 2.88 million or by 17.42% from administration expenses the amount of THB 16.53 million in the 3<sup>rd</sup> quarter of 2015.

### **Financial Cost**

The financial cost for the 3<sup>rd</sup> quarter of 2016, ended as of September 30, 2016, was THB 1.65 million, which decreased by THB 1.37 million or 45.36% from financial cost the amount of THB 3.02 million in the 3<sup>rd</sup> quarter of 2015. Due to decrease in short-term loan.



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Please be informed accordingly.

Yours sincerely,

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