



AIE 023/2017

February 28, 2017

Subject: Management's Discussion and Analysis for year 2016 as of December 31, 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 the fiscal year 2016 as of December 31, 2016, which details are as following;

Results	2016	2015	Increase (Decrease)	
	Million Baht	Million Baht	Million Baht	Percentage
Total Revenues	3,489.97	3,533.44	(43.47)	(1.25)
Cost of Goods Sold and Service	3,323.36	3,502.84	(173.78)	(5.40)
Sell and Administration Expenses	121.98	120.69	1.29	1.06
Net Profit (Loss)	42.70	(82.53)	126.31	288.51
Earnings per share (Baht per share)	0.01	(0.02)	0.03	300.00

### Net Profit

The company and subsidiaries realized net profit of the fiscal year 2016, ended as of December 31, 2016, of THB 42.70 million, increased for THB 125.23 million or 151.74% comparing to the fiscal year 2015 which the realized net loss was THB 82.53 million, for the following reasons;

### Revenue

The company and subsidiaries realized the revenue as of the fiscal year 2016, ended as of December 31, 2016, of THB 3,489.97 million which decreased for THB 43.47 million or 1.25% from the fiscal year 2015 which realized the revenue THB 3,533.44 million, where the reasons are summarized as follows.



## 1. Manufacture and Sales of Biodiesel and By-product

1.1 Revenues from sales of biodiesel business to total revenue for the fiscal year 2016 and 2015 were 75.99% and 76.39% respectively.

- In 2016, revenue from Biodiesel was THB 2,652.04 million, 73,513 tons at average selling price of THB 36,080 / ton.
- In 2015, revenue from Biodiesel was THB 2,699.26 million, 87,325 tons at average selling price of THB 30,510 / ton.

The revenue from Biodiesel in 2016 has decreased from 2015 for THB 47.22 million or 1.75%. Sale volume has decreased by 13,812 tons or 15.82% and the average selling price were increased by THB 5,510 / ton or 18.26%, comparing to 2015. Revenues in both years are comparable but Biodiesel's Sale Volume in 2016 has been declined from 2015 since the government has reduced B7 biodiesel blend twice; to B5 in July 2016, and to B3 in August 2016 due to the volume of crude palm oil was inadequate to the consumption demand of edible oil, and to maintain the equilibrium of crude palm oil pricing, respectively. The average cost of crude palm oil in 2016 and 2015 are equal to THB 31,500 / ton and THB 25,500 / ton, increased by THB 6,000 / ton. This effected to the Company's Cost of Goods Sold-Biodiesel in 2016 increased from 2015 by THB 5,570 / ton.

1.2 Revenues from sales of by-products to total revenue for the fiscal year 2016 and 2015 were 1.53% and 2.51% respectively.

- In 2016, revenue from by-products was THB 53.36 million, 9,980 tons at average selling price of THB 5,350 / ton.
- In 2015, revenue from by-products was THB 88.58 million, 13,040 tons at average selling price of THB 6,790 / ton.

The revenue from by-products in 2016 has decreased from 2015 for THB 35.23 million or 39.77%. Sale volume has decreased by 3,060 tons or 23.47% and the average selling price were decreased by THB 1,450 / ton or 21.35%, comparing to 2015. Due to decreased in Biodiesel production as mentioned above and the Company used most of its by-products as raw materials in B100 production to reduce Biodiesel's production cost, which made revenues contribution from this segment went down.



## 2. Manufacture and Sales of Edible Oil

Revenues from sales of Edible Oil (Palm Oil) to total revenue for the fiscal year 2016 and 2015 were 19.78% and 17.84% respectively.

- In 2016, revenue from Edible Oil was THB 690.27 million, 19,538 tons at average selling price of THB 35,330 / ton.
- In 2015, revenue from Edible Oil was THB 630.36 million, 20,086 tons at average selling price of THB 31,380 / ton.

The revenue from by-products in 2016 has increased from 2015 for THB 59.91 million or 9.50%, while Sale volume has decreased by 548 tons or 2.73% and the average selling price were increased by THB 3,950 / ton or 12.58%, comparing to 2015. In 2016, Sale volume was slightly decreased since the Company's average of raw material cost per unit was higher than market price, hence impossible to compete with competitors and cannot expand to new customers. The increasing in Revenue rose from the increased in selling price which correlated to the increased crude palm oil price.

## 3. Refining Service

Revenues from Refining Service to total revenue for the fiscal year 2016 and 2015 were 0.93% and 1.30% respectively.

The revenue from Refining Service in the fiscal year 2016 is THB 32.58 million which has decreased by THB 13.23 million or 28.88% from the fiscal year 2015 was THB 45.81 million. Due to the Contractors, has reduced their orders since the government announced to reduce Biodiesel blend in Diesel twice in 2016.

## 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 fiscal year 2016 and 2015 were 0.60% and 0.81% respectively.

AIPT's revenue from Sale of Ice Cube in the fiscal year 2016 is THB 20.91 million which has decreased by THB 7.63 million or 26.73% from the fiscal year 2015 was THB 28.54 million. Due to AIPT has canceled Port and Terminal and Ice Cube business since October 2016 and lease Port and Terminal in Samut Sakhon province to Buyer under The Purchase and Sale of Land, Machineries, Equipment and Buildings Contract.



## 5. Sea Freight Carrier Business

Revenues from Sea Freight Services, operated by the subsidiary (AIL), to total revenue for the fiscal year 2016 and 2015 were 0.86% and 0.55% respectively.

- In 2016, revenue from Sea Freight Services was THB 29.94 million and in 2015 was THB 19.55 million.

AIL's revenue from Sea Freight Services in the fiscal year 2016 has increased by THB 10.39 million or 53.14% from the fiscal year 2015. Since AIL has continuously provided Sea Freight Services in overseas, while in 2015 AIL only focuses on serving only group business.

## 6. Other Income

The Company and the Subsidiaries had Revenues from Other Income to total revenue for the fiscal year 2016 and 2015 were 0.31% and 0.60% respectively.

- In 2016, revenue from Other Income was THB 10.87 million and in 2015 was THB 21.34 million.

Revenue from Other Income in the fiscal year 2016 has decreased by THB 10.47 million or 49.06% from the fiscal year 2015 (consist of storage tank services of THB 7.49 million and transportation services THB 3.24 million) since there's no revenue from storage tank services and transportation services in 2016.

## Cost of Sales and Services

The company and subsidiaries realized the cost of sales and services as of the fiscal year 2016 of THB 3,323.36 million and the ratio of cost of sales over total revenue was 95.22%, and of the fiscal year 2015 of THB 3,502.84 million and the ratio of cost of sale over total revenue was 99.13%, which decreased by 3.91%, where the reasons are summarized as follows.

### 1. Cost of Sales - Biodiesel and By-product

- In 2016, cost of sale was THB 2,501.95 million, with ratio of cost of sale to revenue was 94.34%.
- In 2015, cost of sale was THB 2,664.00 million, with ratio of cost of sale to revenue was 98.69%.

Comparing 2016 to 2015, the ratio cost of sale to revenue has decreased by 4.35% since the Company used most of its by-products as raw materials in B100 production, results to lower Biodiesel's production



cost. Revenue from Biodiesel produced by Palm Fatty Acid (PFAD) has contributed 10.50% total revenue from Biodiesel. In 2016 the Company emphasized on reducing loss in Biodiesel's production, thus the 2016 production performance achieved the expected production yield. However, in 3<sup>rd</sup> Quarter of 2016 the Company affected from the fluctuation in crude palm oil price, lead to the realization of loss in 3<sup>rd</sup> and 4<sup>th</sup> Quarter of 2016 approximately THB 50 million.

## 2. Cost of Sales – Edible Oil

- In 2016, cost of sale was THB 706.09 million, with ratio of cost of sale to revenue was 102.29%.
- In 2015, cost of sale was THB 663.77 million, with ratio of cost of sale to revenue was 105.30%.

The cost of sale of Edible Oil is over revenue in both 2016 and 2015, the Company has realized loss from manufacture and sale of Edible Oil, which affected from the fluctuation in crude palm oil price and the Company's costs were higher than market selling price. The ratio of cost of sale to revenue in 2016 decreased from 2015 by 3.00%.

## 3. Cost of Refining Service

- In 2016, cost of refining service was THB 26.85 million, with ratio of cost of service to revenue was 82.41%.
- In 2015, cost of refining service was THB 37.00 million, with ratio of cost of service to revenue was 80.77%.

The ratio of cost of refining service to revenue was increased by 1.64% in 2016 from 2015. The Company is continuously making profit from refining service since there was no risk from the fluctuation in raw material's price. The refining service's volume also share the Company's overhead costs, which help to maintain production cost as low as possible.

## 4. Cost of Sale – Ice Cube

- In 2016, cost of sale was THB 17.81 million, with ratio of cost of sale to revenue was 85.17%.



- In 2015, cost of sale was THB 24.26 million, with ratio of cost of sale to revenue was 85.00%.

The ratio of cost of sale to revenue of ice cube is continuously constant.

#### 5. Cost of Sea Freight Service

- In 2016, cost of service was THB 28.98 million, with ratio of cost of service to revenue was 96.79%.
- In 2015, cost of service was THB 22.59 million, with ratio of cost of service to revenue was 115.55%.

The ratio of cost of service to revenue from sea freight service in 2016 decreased by 18.76% from 2015.

#### Gross Profit (Loss) Margin

The Company has gross profit (loss) margin as of the fiscal year 2016 and 2015 was 4.46% and 0.86%, which in 2016 the gross profit margin increased by 3.60%.

1. Gross profit (loss) margin from Biodiesel and By-products as of 2016 was 6.10%, which increased by 4.89% from 2015 was 1.21%.
2. Gross profit (loss) margin from Edible Oil as of 2016 was (2.29%), which increased by 3.01% from 2015 was (5.30%).
3. Gross profit (loss) margin from Refining service as of 2016 was 17.58%, which decreased by 1.64% from 2015 was 19.22%.
4. Gross profit (loss) margin from Port and Terminal service and ice cube as of 2016 was 14.81%, which decreased by 0.19% from 2015 was 15.00%.
5. Gross profit (loss) margin from Sea Freight service as of 2016 was 3.21%, which increased by 18.76% from 2015 was (15.55%).

#### Selling Expenses

The company's selling expenses as of the fiscal year 2016, ended as of December 31, 2016, was THB 32.32 million, which decreased by THB 10.80 million or by 25.04% from selling expenses the amount of THB 43.12 million in the year 2015. The major contributions were the cost of transportation and products insurances, which reduced by THB 8.50 million and related to the decreased in sale volume.



### Administration Expenses

The company's administration expenses for the fiscal year 2016 ended as of December 31, 2016, was THB 81.64 million which increased by THB 14.83 million or by 22.20% from administration expenses the amount of THB 66.81 million in the year 2015. The major contributions were the cost of consulting, auditor fees, and special audit fees (for the adjustment in the financial statement as of 2014 (Revised version) by internal auditor), which increased by THB 5.56 million. In 2016, the Company booked the Allowance for doubtful accounts of THB 9.50 million for account receivable overdue over than 1 year.

### Financial Cost

The financial cost for the fiscal year 2016, ended as of December 31, 2016, was THB 8.01 million, which decreased by THB 2.74 million or 25.49% from financial cost the amount of THB 10.75 million in the year 2015. Due to the short-term loan in 2016 of THB 128.00 million, was reduced by THB 196.03 million or 60.50% from THB 324.03 million in 2015.

Please be informed accordingly.

Yours sincerely,

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