



AIE 109/2017

May 15, 2017

Subject: Management's Discussion and Analysis for 1st quarter ended as of March 31, 2017

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 1st quarter ended as of March 31, 2017, which details are as following;

Results	Q1/2017	Q1/2016	Increase (Decrease)	
	Million Baht	Million Baht	Million Baht	Percentage
Total Revenues	501.45	1,148.64	(647.19)	(129.06)
Cost of Goods Sold and Service	(577.57)	(1,085.84)	(508.27)	(88.00)
Sell and Administration Expenses	(22.54)	(39.38)	(16.85)	(74.75)
Net Profit (Loss)	(98.65)	23.42	(122.07)	(123.74)
Earnings per share (Baht per share)	(0.02)	0.01	(0.03)	(123.74)

Net Profit

The company and subsidiaries realized net profit (loss) of the 1st quarter ended as of March 31, 2017, of THB (98.65) million, decreased for THB 122.07 million or 123.74% comparing to the 1st quarter ended as of March 31, 2016, which the realized net profit for THB 23.42 million, for the following reasons;

Revenue

The company and subsidiaries realized the revenue as of the 1st quarter ended as of March 31, 2017, of THB 501.45 million which decreased by THB 647.19 million or 129.06% from the 1st quarter ended as of March 31, 2016, which realized the revenue THB 1,148.64 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 1st quarter of the fiscal year 2017 and 2016 were 94.74% and 83.05% respectively.

- In 1st quarter of 2017, revenue from Biodiesel was THB 452.79 million, 12,887 tons at average selling price of THB 35,130 / ton.
- In 1st quarter of 2016, revenue from Biodiesel was THB 953.94 million, 28,712 tons at average selling price of THB 33,225 / ton

The revenue from Biodiesel in the 1st quarter of 2017 has decreased from the 1st quarter of 2016 for THB 500.63 million or 52.00%. Sale volume has decreased by 15,825 tons or 55.11% and the average selling price were increased by THB 1,910 / ton or 6.00% as a result from the amendment of Biodiesel blend in Diesel Mandate not lower than 5% and not higher than 7% by volume on November 10, 2016, while in 1st quarter of 2016 was not lower than 6.50% and not higher than 7% by volume on August 3, 2015, which announced by Ministry of Energy.

1.2 Revenues from sales of by-products to total revenue for the 1st quarter of 2017 and 2016 were 2.28% and 1.41% respectively.

- In 1st quarter of 2017, revenue from by-products was THB 11.43 million, 2,712 tons at average selling price of THB 4,210 / ton.
- In 1st quarter of 2016, revenue from by-products was THB 16.22 million, 3,085 tons at average selling price of THB 5,270 / ton.

The revenue from by-products; Crude Glycerin, in the 1st quarter of 2017 has decreased from the 1st quarter of 2016 for THB 4.79 million or 29.53%. Sale volume has decreased by 373 tons or 12.00% and the average selling price were decreased by THB 1,190 / ton or 18.45%. Due to decreased in Biodiesel production as the amended of Biodiesel blend in Diesel Mandate.

2. Manufacture and Sales of Edible Oil

2.1 Revenues from sales of Edible Oil (Palm Olien) to total revenue for the 1st quarter of 2017 and 2016 were 1.42% and 13.17% respectively.

- In 1st quarter of 2017, revenue from Edible Oil was THB 7.19 million, 189 tons at average selling price of THB 37,530 / ton.
- In 1st quarter of 2016, revenue from Edible Oil was THB 151.29 million, 4,845 tons at average selling price of THB 31,230 / ton.



The revenue from by-products in the 1st quarter of 2017 has decreased from the 1st quarter of 2016 for THB 144.10 million or 95.25%, while sale volume has decreased by 4,656 tons or 96.10% and the average selling price were increased by THB 6,300 / ton or 16.79%, since the Company has changed its Edible Oil Sales policy into Edible Oil refining service in 2017, where the Sales of Edible Oil in January were the Backlogs order from 2016.

2.2 Revenues from sales of Edible Oil in packaging under brand PAMOLA to the Edible Oil refining service contractor has contributed to the total revenue for the 1st quarter of 2017 of 1.32% or THB 6.61 Million.

3. Refining Service

Revenues from Refining Service to total revenue for the 1st quarter of 2017 and 2016 were 1.40% and 0.71% respectively.

The revenue from Refining Service in the 1st quarter of 2017 is THB 7.00 million which has decreased by THB 1.16 million or 14.22% from the 1st quarter of 2016 was THB 8.16 million. As a result, the changed in Sale of Edible Oil policy to Edible Oil Refining Service. The revenue from Refining Service consist of 2 parts, which are; RBD Palm Oil for B100 Refining Service for THB 2.13 million, and Edible Oil Refining Service for THB 4.87 million.

4. Sea Freight Carrier Business

Revenues from Sea Freight Services, operated by the subsidiary (AIL), to total revenue for the 1st quarter of 2017 and 2016 were 2.58% and 0.72% respectively.

- In the 1st quarter of 2017, revenue from Sea Freight Services was THB 12.94 million and in the 1st quarter of 2016 was THB 8.29 million.

AIL's revenue from Sea Freight Services in the 1st quarter of 2017 has increased by THB 4.65 million or 52.01% from the 1st quarter of 2016. Since in 2017 AIL continuously service Sea Freight in overseas.

5. Other Income

The Company and the Subsidiaries had Revenues from Other Income to total revenue for the 1st quarter of 2017 and 2016 were 0.71% and 0.18% respectively.



- In the 1st quarter of 2017, revenue from Other Income was THB 3.56 million and in the 1st quarter of 2016 was THB 2.09 million.

Revenue from Other Income in the 1st quarter of 2017 has increased by THB 1.47 million or 70.00% from the 1st quarter of 2016. In 2017, the Revenue from Other Income risen from the increased in Rental and Service for THB 1.87 million, Goods Transportation Service for THB 0.20 million, and Interest from Lease contract for THB 0.41 million.

Cost of Sales and Services

The company and subsidiaries realized the cost of sales and services as of the 1st quarter of 2017 of THB 577.57 million and the ratio of cost of sales over total revenue was 115.18%, and of the 1st quarter of 2016 of THB 1,085.84 million and the ratio of cost of sale over total revenue was 94.79%, which increased by 20.39%, where the reasons are summarized as follows.

1. Cost of Sales - Biodiesel and By-product

- In 1st quarter of 2017, cost of sale was THB 540.55 million, with ratio of cost of sale to revenue was 116.44%.
- In 1st quarter of 2016, cost of sale was THB 909.03 million, with ratio of cost of sale to revenue was 93.88%.

The realized cost of raw material; crude palm oil (CPO) used in production was higher than the Company's product selling price. Due to the undersupply of CPO in the market, the price has been continuously declined and more severe. The price fluctuation has begun since July 2016, where the price up to 37.50 Baht/kilogram and there were speculated that there would be a shortage of CPO. Therefore, the government has announced a decreased in the proportion of Biodiesel blended in Diesel Mandate in order to maintain the stability of CPO market at the time until the CPO prices have dropped to 26.00 Baht/kilogram when the amount CPO out to oversupply. The government will have increased the proportion of Biodiesel blended in Diesel Mandate again to prevent the price of CPO from falling too low. So, the fluctuation in CPO prices and the government's intervention in the change of proportion of Biodiesel blended mandate, makes the Company challengingly control the cost of sales. Consequently, there is a loss from CPO that its cost is higher than the Company's average selling price of 3.00 Baht/Kilogram. The amended in the mentioned mandate has resulted in lower sales volume, while the Company's fixed costs and overhead costs are increased because the inability to allocate the production cost based on the output produced. For 1st quarter of 2017, the cost of sales consists of the allocated overhead costs of THB 20.00 million and as of



March 31, 2017 the Company has booked the allowance for the dilution in inventories value for THB 12.58 million.

2. Cost of Sales – Edible Oil

- In 1st quarter of 2017, cost of sale was THB 13.42 million, with ratio of cost of sale to revenue was 97.81%.
- In 1st quarter of 2016, cost of sale was THB 156.48 million, with ratio of cost of sale to revenue was 101.60%.

The cost of sale of Edible Oil is over revenue in both the 1st quarter of 2017 and 2016 are comparable.

3. Cost of Refining Service

- In 1st quarter of 2017, cost of refining service was THB 7.83 million, with ratio of cost of service to revenue was 111.85%.
- In 1st quarter of 2016, cost of refining service was THB 6.75 million, with ratio of cost of service to revenue was 79.33%.

The ratio of cost of refining service to revenue was increased by 33.52% in the 1st quarter of 2017 from 2016 and the Company has realized loss from refining service in the 1st quarter of 2017 as follows;

- The refining service of RBD palm oil for B100 has the ratio of cost of refining service to revenue of 76.67%, which comparable to the same time of previous year. The Company is continuously making profit from refining service of RBD palm oil for B100.
- Edible Oil refining and packaged under brand PAMOLA, according to the Company's policy to cancel its Sale of Edible Oil department and operated as Edible Oil refining service instead because the Edible Oil market is highly competitive and the Edible Oil refining service might reduce the risk of CPO's price volatility, where the refining services price were established by using a comparable approach based on the market price in the Palm Oil refinery industry. In 1st quarter of 2017, the refining service of Edible Oil has the ratio of cost of refining service to revenue of 127.08%, where the section of packaged under brand PAMOLA contributed highest cost in the refining and packaging service and make the loss in this segment.



Nevertheless, the refining service also help the Company to allocate cost of production as low as possible at some point when its sales volume is lower its overall capacity.

4. Cost of Sea Freight Service

- In 1st quarter of 2017, cost of service was THB 14.92 million, with ratio of cost of service to revenue was 115.00%.
- In 1st quarter of 2016, cost of service was THB 7.77 million, with ratio of cost of service to revenue was 93.68%.

The ratio of cost of service to revenue from sea freight service was increased by 21.32% in the 1st quarter of 2017 from the 1st quarter of 2016. Since AIL has serviced Sea Freight in overseas more than in 2016 and the cost of service that increased were contributed by fuel expenses and docking and port expenses.

Selling Expenses

The company's selling expenses as of the 1st quarter of 2017, ended as of March 31, 2017, was THB 2.04 million, which decreased by THB 7.06 million or by 78.00% from selling expenses the amount of THB 9.10 million in the 1st quarter of 2016. Due to the cancelation of Edible Oil Sale department lead to the decreased in the selling and administration expense.

Administration Expenses

The company's administration expenses for the 1st quarter of 2017 ended as of March 31, 2017, was THB 19.29 million which decreased by THB 6.87 million or by 25.29% from administration expenses the amount of THB 27.16 million in the 1st quarter of 2017. The major contribution was the Allowance for doubtful accounts of THB 10.88 million for edible oil - account receivable overdue.

Financial Cost

The financial cost for the 1st quarter of 2017, ended as of March 31, 2017, was THB 0.89 million, which decreased by THB 1.43 million or 62.00% from financial cost the amount of THB 2.32 million in the 1st quarter of 2016. Due to the lower short-term loan to THB 126.00 million as of March 31, 2017 from THB 289.00 million as of March 31, 2016.



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AI Energy Public Company Limited.

Please be informed accordingly.

Yours sincerely,

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