



AIE 138/2017

August 11, 2017

Subject: Management's Discussion and Analysis for 2nd quarter ended as of June 30, 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 2nd quarter ended as of June 30, 2017, which details are as following;

Results	Q2/2017	Q2/2016	Increase (Decrease)	
	Million Baht	Million Baht	Million Baht	Percentage
Total Revenues	643.92	1,150.40	(506.48)	(44.03)
Cost of Goods Sold and Service	(671.54)	(1,073.38)	(401.83)	(37.44)
Sell and Administration Expenses	(23.20)	(28.87)	(5.67)	(19.63)
Net Profit (Loss)	(50.71)	47.00	97.71	207.89
Earnings per share (Baht per share)	(0.01)	0.01	(0.02)	(207.89)

Net Profit

The company and subsidiaries realized net profit (loss) of the 2nd quarter ended as of June 30, 2017, of THB (50.71) million, decreased for THB 97.71 million or 207.89% comparing to the 2nd quarter ended as of June 30, 2016, which the realized net profit for THB 47.00 million, for the following reasons;

Revenue

The company and subsidiaries realized the revenue as of the 2nd quarter ended as of June 30, 2017, of THB 643.92 million which decreased by THB 506.48 million or 44.03% from the 2nd quarter ended as of June 30, 2016, which realized the revenue THB 1,148.64 million, where the reasons are summarized as follows.



Revenue	Q2/2017			Q2/2016			Increase (Decrease)		
	Quantity (Tons)	Bath (‘000)	Ratio to Revenue (%)	Quantity (Tons)	Bath (‘000)	Ratio to Revenue (%)	Quantity (Tons)	Bath (‘000)	%
1. Revenues from sales									
Biodiesel	15,935	472,863	73.44	23,026	869,447	75.58	(7,091)	(396,584)	(45.61)
Byproduct	1,888	15,078	2.34	4,219	24,090	2.09	(2,331)	(9,012)	(37.41)
Edible Oil	4,131	123,874	19.24	6,496	225,240	19.58	(2,365)	(101,366)	(45.00)
Ice Cube	-	-	-	-	6,702	0.58	-	(6,702)	(100.00)
Total Sales	21,954	611,816	95.01	33,740	1,125,479	97.83	(11,786)	(513,664)	(45.64)
2. Refining Service									
Biodiesel	9,946	8,952	1.39	17,710	15,939	1.39	(7,763)	(6,987)	(43.84)
Edible Oil	3,680	7,042	1.09	0	0	-	3,680	7,042	100.00
Total Refining	13,627	15,994	2.48	17,710	15,939	1.39	(4,083)	55	0.35
3. Sea Freight Carrier	-	11,844	1.84	-	7,930	0.69	-	3,914	49.36
4. Other Income	-	4,265	0.66	-	1,048	0.09	-	3,217	306.97
Total Revenue		643,919	100.00		1,150,396	100.00		(506,478)	(44.03)

1. Revenue from Sales

1.1 Revenues from sales of biodiesel business to total revenue for the 2nd quarter of 2017 and 2016 were 73.44% and 75.58% respectively, which was effected by two factors;

- Raw material price: the average price of Crude Palm Oil (CPO) in 2nd quarter of 2017 was THB 29.67 / kg., which lower than 2nd quarter of 2016 of THB 37.76 / kg. by 8.09 / kg.
- Quantity: Sale volume has decreased from 2nd of 2016 by 7,091 tons or 30.69% in 2nd of 2017 as a result from lose purchased order from previous customer and the Biodiesel blend in Diesel Mandate has been at 5% or B5 since November 10, 2016 till the beginning of May 2017, where the Ministry of Energy announced the amendment of Biodiesel blend in Diesel Mandate has been made to 7% or B7 on May 8, 2017 since CPO became over supply, while in 2nd quarter of 2016 was not lower than 6.50% and not higher than 7% since August 3, 2015. However, sales volume in 2nd quarter of 2017 increased from 1st quarter of 2017 by 25% and expected to increase by 10% in 3rd quarter of 2017, according the increasing demand.



1.2 Revenues from sales of by-products to total revenue for the 2nd quarter of 2017 and 2016 were 2.34% and 2.09% respectively. The revenue from by-products in 2nd quarter of 2017 has decreased from 2nd quarter of 2016 by THB 9.01 million or 37.41%. Since the sales volume of Crude Glycerin has been decreased, while the average selling price was increased by THB 2.28 / kg due to decreased in Biodiesel production hence shortage of Crude Glycerin.

1.3 Revenues from sales of Edible Oil to total revenue for the 2nd quarter of 2017 and 2016 were 19.24% and 19.58% respectively. The revenue from Edible Oil in the 2nd quarter of 2017 has decreased from the 2nd quarter of 2016 for THB 101.37 million or 45.00%, while sale volume has decreased by 2,385 tons and the average selling price were decreased by THB 4.69 / kg, since the Company has changed its Edible Oil Sales policy into Edible Oil refining service in 2017, where the Sales of Edible Oil in 2nd quarter of 2017 were spot orders of RBD Palm Oil.

2. Refining Service

Revenues from Refining Service to total revenue for the 2nd quarter of 2017 and 2016 were 2.48% and 1.39% respectively.

2.1 The revenue from Refining Service for Biodiesel in the 2nd quarter of 2017 is THB 8.95 million which has decreased by THB 6.99 million or 43.84% from the 2nd quarter of 2016 was THB 15.94 million.

2.2 The revenue from Refining Service for Edible Oil in the 2nd quarter of 2017 is THB 7.04 million since January 2017.

3. Sea Freight Carrier Business

Revenues from Sea Freight Services, operated by the subsidiary (AIL), to total revenue for the 2nd quarter of 2017 and 2016 were 1.84% and 0.69% respectively. AIL's revenue from Sea Freight Services in the 2nd quarter of 2017 has increased by THB 3.91 million or 49.36%. Since in 2017 AIL continuously service Sea Freight in overseas but its unfortunately stop the service for maintenance in June 2017.

4. Other Income

The Company and the Subsidiaries had Revenue from Other Income in the 2nd quarter of 2017 has increased by THB 3.22 million or 300.97% from the 2nd quarter of 2016, which were from service and interest received.

**Cost of Sales and Services**

The company and subsidiaries realized the cost of sales and services as of the 2nd quarter of 2017 of THB 671.54 million and the ratio of cost of sales over total revenue was 104.29%, and of the 2nd quarter of 2016 of THB 1,073.37 million and the ratio of cost of sale over total revenue was 93.30%, which increased by 11.77%, where the reasons are summarized as follows.

Cost of Sales and Services	Q2/2017			Q2/2016			Increase (Decrease)		
	Bath (*000)	Ratio to Revenue	Ratio to Cost of Sales (%)	Bath (*000)	Ratio to Revenue	Ratio to Cost of Sales (%)	Bath (*000)	Ratio to Revenue	%
1. Cost of Sales									
Biodiesel	510,704	108.00	76.05	797,439	91.72	74.29	(286,735)	16.28	17.75
Byproduct	9,510	63.07	1.42	19,577	81.27	1.82	(10,067)	(18.20)	(22.39)
Edible Oil	120,816	97.53	17.99	230,328	102.26	21.46	(109,512)	(4.73)	(4.62)
Ice Cube	-	-	-	5,525	82.44	0.51	(5,525)	(82.44)	(100.00)
** Total Cost of Sales	641,030	104.77	95.46	1,052,869	93.55	98.09	(411,839)	11.23	12.00
2. Cost of Services									
Biodiesel	7,139	79.75	1.06	13,616	85.43	1.27	(6,477)	(5.68)	(6.65)
Edible Oil	7,033	99.87	1.05	-	-	-	7,033	99.87	0.00
** Total Cost of Services	14,171	88.61	2.11	13,616	85.43	1.27	555	3.18	3.72
3. Sea Freight Carrier	16,343	137.99	2.43	6,890	86.89	0.64	9,453	51.10	58.81
4. Other Income	-	-	-	-	-	-	-	0.00	0.00
Total Cost of Sales & Service	671,544	104.29	100.00	1,073,375	93.30	100.00	(401,831)	10.99	11.77

1. Cost of Sales

1.1 The cost of Sales-Biodiesel to total revenue for the 2nd quarter of 2017 increased by 12.00% from 2nd quarter of 2016, which was effected by the realized cost CPO used in production, was higher than the Company's product selling price. Due to the oversupply of CPO in the market, the price has been continuously declined and more severe. The price fluctuation has begun, where the down to THB 20.00 / kg in June 2017. Therefore, the Company's cost of CPO was higher than selling price for THB3.00 / kg. Even though, the Company has achieved to obtain the improved production yield and managed to have a quicker turnover of raw material and keep minimum stock less than 30 days but still faced the allowance for the dilution in inventories value for THB 9.94 million of CPO 7,000 tons as of June 30, 2017



- 1.2 The cost of Sales-By-products set by depending on market price at the time of sales and the cost will contribute to the cost of main product's production.
- 1.3 The ratio of cost of Sales (Edible Oil) to revenue in 2nd quarter of 2017 has decreased from 2nd quarter of 2016 since the cancelation of Edible Oil Sale department in January 2017, where the Sales of Edible Oil in 2nd quarter of 2017 were spot orders of RBD Palm Oil that the Company realized gain.

2. Cost of Refining Service

In 2nd quarter of 2017, the ratio of cost of service to revenue was 88.61%, increasing by 3.72% from 2nd quarter of 2016 at 85.43% as follows;

- 2.1 The refining service for Biodiesel has the ratio of cost of refining service to revenue of 79.75%, which comparable to the same time of previous year. The Company is continuously making profit from refining service of RBD palm oil for B100.
- 2.2 The refining service for 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 2nd quarter of 2017, the refining service of Edible Oil has the ratio of cost of refining service to revenue of 99.87%, where the section of packaged under brand PAMOLA contributed highest cost in the refining and packaging service.

3. Cost of Sea Freight Service

The ratio of cost of service to revenue from sea freight service was increased by 58.81% in the 2nd quarter of 2017 from the 2nd 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. However, the loss from its operating caused by maintenance expenses in June 2017.

Selling Expenses

The company's selling expenses as of the 2nd quarter of 2017 was THB 2.63 million, which decreased by THB 6.45 million or by 71.04% from selling expenses the amount of THB 9.08 million in the 2nd quarter of 2016 because the cancelation of Edible Oil Sale department.



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AI Energy Public Company Limited.

Administration Expenses

The company's administration expenses for the 2nd quarter of 2017 was THB 19.91 million which increased by THB 2.96 million or by 17.49% from administration expenses the amount of THB 16.94 million in the 2nd quarter of 2016. Since its subsidiaries were in between of selling their assets therefore all of their expenses of THB 3.84 million were added into administration expenses, which rose from 2nd quarter of 2016 for THB 2.62 million.

Financial Cost

The financial cost for the 2nd quarter of 2017 was THB 0.67 million, which decreased by THB 2.18 million or 76.59% from financial cost the amount of THB 2.85 million in the 2nd quarter of 2016. Due to lower in loan to THB 70.59 million as of June 30, 2017 from THB 356.00 million as of June 30, 2016.

Please be informed accordingly.

Yours sincerely,

Miss Pimwan Thareratanavibool

Managing Director

Corporate Secretary Tel. 0-34877-486-8 Ext. 500