



AIE 207/2017

November 14, 2017

Subject: Management's Discussion and Analysis for 3<sup>rd</sup> quarter ended as of September 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 3<sup>rd</sup> quarter ended as of September 30, 2017, which details are as following;

Results	Q3/2017	Q3/2016	Increase (Decrease)	
	Million Baht	Million Baht	Million Baht	Percentage
Total Revenues	819.95	732.21	87.74	11.98
Cost of Goods Sold and Service	(656.76)	(724.05)	(67.29)	(9.29)
Sell and Administration Expenses	(33.61)	(28.04)	5.57	19.86
Net Profit (Loss)	100.37	(20.16)	120.53	597.88
Earnings per share (Baht per share)	0.022	(0.004)	0.026	597.88

### **Net Profit**

The company and subsidiaries realized net profit of the 3<sup>rd</sup> quarter ended as of September 30, 2017, of THB 100.37 million, increased for THB 120.53 million or 597.88% comparing to the 3<sup>rd</sup> quarter ended as of September 30, 2016, which the realized net loss for THB 20.16 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, 2017, of THB 819.95 million which increased by THB 87.74 million or 11.98% from the 3<sup>rd</sup> quarter ended as of September 30, 2016, which realized the revenue THB 732.21 million, where the reasons are summarized as follows.



Revenue	Q3/2017			Q3/2016			Increase (Decrease)			
	Quantity (Tons)	Bath ('000)	Ratio to Revenue (%)	Quantity (Tons)	Bath ('000)	Ratio to Revenue (%)	Quantity (Tons)	Bath ('000)	%	
<b>1. Revenues from sales</b>										
Biodiesel	23,091	596,330	72.73	13,073	526,630	71.92	10,017	69,700	13.24	
Byproduct	3,187	35,305	4.31	1,896	9,930	1.36	1,291	25,375	255.53	
Edible Oil	-	-	-	4,606	181,763	24.82	(4,606)	(181,763)	(100.00)	
Ice Cube	-	-	-	-	6,239	0.85	-	(6,239)	(100.00)	
<b>Total Sales</b>	<b>26,278</b>	<b>631,635</b>	<b>77.03</b>	<b>19,576</b>	<b>724,563</b>	<b>98.96</b>	<b>6,702</b>	<b>(92,927)</b>	<b>(12.83)</b>	
<b>2. Refining Service</b>										
Biodiesel	15,595	14,036	1.71	7,963	7,167	0.98	7,632	6,869	95.85	
Edible Oil	7,471	13,281	1.62	-	-	-	7,471	13,281	100.00	
<b>Total Refining</b>	<b>23,066</b>	<b>27,316</b>	<b>3.33</b>	<b>7,963</b>	<b>7,166</b>	<b>0.98</b>	<b>15,103</b>	<b>20,150</b>	<b>281.20</b>	
3. Sea Freight Carrier	-	-	-	-	-	-	-	-	-	
4. Other Income	-	160,996	19.63	-	480	0.07	-	160,516	33,440.83	
<b>Total Revenue</b>	<b>49,344</b>	<b>819,948</b>	<b>100.00</b>	<b>27,539</b>	<b>732,209</b>	<b>100.00</b>	<b>21,805</b>	<b>87,739</b>	<b>11.98</b>	

### 1. Revenue from Sales

1.1 Revenues from sales of biodiesel business to total revenue for the 3<sup>rd</sup> quarter of 2017 and 2016 were 72.73% and 71.92% respectively, which was effected by two factors;

- Raw material price: the average price of Crude Palm Oil (CPO) in 3<sup>rd</sup> quarter of 2017 was THB 25.83 / kg., which lower than 3<sup>rd</sup> quarter of 2016 of THB 40.29 / kg. by 14.46 / kg. CPO price has decreased since the end of 1<sup>st</sup> quarter of 2017, where the price was fluctuated between THB 20.00 – 22.00 / kg.
- Quantity: Sale volume in 3<sup>rd</sup> of 2017 was 23,091 tons, which has increased from 3<sup>rd</sup> of 2016 by 10,067 tons or 76.62% as a result from additional purchased order from existing customer and the Biodiesel blend in Diesel Mandate has made to 7% or B7 on May 8, 2017 since CPO became over supply.

1.2 Revenues from sales of by-products to total revenue for the 3<sup>rd</sup> quarter of 2017 and 2016 were 4.31% and 1.36% respectively. The revenue from by-products in 3<sup>rd</sup> quarter of 2017 has increased from 3<sup>rd</sup> quarter of



2016 by THB 25.38 million or 225.53%. Sales volume of Crude Glycerin has been increased due to an increase in Biodiesel's production and sale.

- 1.3 There is no revenue from sales of Edible Oil in the 3<sup>rd</sup> quarter of 2017, since the Company has changed its Edible Oil Sales policy into Edible Oil refining service in 2017.

## **2. Refining Service**

Revenues from Refining Service to total revenue for the 3<sup>rd</sup> quarter of 2017 and 2016 were 3.33% and 0.98% respectively.

2.1 The revenue from RBD Palm Oil Refining Service for Biodiesel in the 3<sup>rd</sup> quarter of 2017 is THB 14.04 million which has increased by THB 6.87 million or 7,632 tons of CPO from the 3<sup>rd</sup> quarter of 2016 was THB 7.17 million.

2.2 The revenue from Refining Service for Edible Oil in the 3<sup>rd</sup> quarter of 2017 is THB 13.28 million or 7,471 tons of CPO since January 2017.

## **3. Sea Freight Carrier Business**

There is no revenue from Sea Freight Services in the 3<sup>rd</sup> quarter of 2017 since its stop the service for maintenance in June 2017 and put on the market for sale.

## **4. Other Income**

The Company and the Subsidiaries had Revenue from Other Income in the 3<sup>rd</sup> quarter of 2017 for THB 156.57 million, which were from service, interest received, and income from disposal of AIPT's assets and equipments.

## **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 2017 of THB 656.76 million and the ratio of cost of sales over total revenue was 80.10%, and of the 3<sup>rd</sup> quarter of 2016 of THB 724.05 million and the ratio of cost of sale over total revenue was 98.89%, which decreased by 19.00%, where the reasons are summarized as follows.



Cost of Sales and Services	Q3/2017			Q3/2016			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	604,616	101.39	92.06	508,009	96.46	70.16	96,607	4.93	19.02	
Byproduct	30,917	87.57	4.71	12,584	126.72	1.74	18,333	126.72	145.69	
Edible Oil	-	-	-	193,049	106.21	26.66	(193,049)	(106.21)	(100.00)	
Ice Cube	-	-	-	5,209	83.49	0.72	(5,209)	(83.49)	(100.00)	
** Total Cost of Sales	635,533	100.62	96.77	718,851	99.21	99.28	(83,318)	0.90	(11.59)	
2. Cost of Services										
Biodiesel	11,153	79.47	1.70	5,202	72.59	0.72	5,951	86.64	114.41	
Edible Oil	10,073	75.85	1.53	-	-	-	10,073	75.85	100.00	
** Total Cost of Services	21,227	77.71	3.23	5,202	72.59	0.72	16,025	79.53	109.55	
3. Sea Freight Carrier	-	-	-	-	-	-	-	-	-	
4. Other Income	-	-	-	-	-	-	-	-	-	
<b>Total Cost of Sales &amp; Service</b>	<b>656,759</b>	<b>80.10</b>	<b>100.00</b>	<b>724,053</b>	<b>98.89</b>	<b>100.00</b>	<b>(67,294)</b>	<b>(18.79)</b>	<b>(19.00)</b>	

## 1. Cost of Sales

1.1 The cost of Sales-Biodiesel to total revenue for the 3<sup>rd</sup> quarter of 2017 of 101.39% increased by 4.93% from 3<sup>rd</sup> quarter of 2016 of 96.46%, which was effected by the realized cost CPO used in production, was higher than the Company’s product selling price approximately THB 1.00 – 2.00 / kg. in 3<sup>rd</sup> quarter of 2017. 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.

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.

## 2. Cost of Refining Service

In 3<sup>rd</sup> quarter of 2017, the ratio of cost of service to revenue was 77.71%, increasing from 3<sup>rd</sup> quarter of 2016 of 72.59 % as follows;

2.1 The refining service for RBD Palm oil for Biodiesel has the ratio of cost of refining service to revenue of 79.47%, 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 3<sup>rd</sup> quarter of 2017, the refining service of Edible Oil has the ratio of cost of refining service to revenue of 75.85%, where it's lower than previous quarter because the increased in the incoming CPO volume from contractors.

### **3. Cost of Sea Freight Service**

AIL has stopped its serviced June 2017.

#### **Selling Expenses**

The company's selling expenses as of the 3<sup>rd</sup> quarter of 2017 was THB 4.26 million, which decreased from selling expenses the amount of THB 6.98 million in the 3<sup>rd</sup> quarter of 2016 because the cancelation of Edible Oil Sale department. The selling expenses are including transportation costs for Biodiesel and Glycerin's export expenses.

#### **Administration Expenses**

The company's administration expenses for the 3<sup>rd</sup> quarter of 2017 was THB 29.18 million which increased by THB 9.77 million or by 50.34% from administration expenses the amount of THB 19.41 million in the 2<sup>nd</sup> quarter of 2016. As results from the loss from the disposal of the Company's unused trucks and trailers of THB 3.85 million, expenses occurred during its subsidiaries selling their assets of THB 3.84 million, and realized of allowance for impairment of investments in subsidiary for THB 13.00 million.

#### **Financial Cost**

The financial cost for the 3<sup>rd</sup> quarter of 2017 was THB 0.17 million, which decreased by THB 1.48 million or 29.09% from financial cost the amount of THB 1.65 million in the 3<sup>rd</sup> quarter of 2016 due to loan repayment.



บริษัท เอไอ เอนเนอร์จี้ จำกัด (มหาชน)  
AI Energy Public Company Limited.

Please be informed accordingly.

Yours sincerely,

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Managing Director

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