



บริษัท เอไอ เอนเนอร์จี จำกัด (มหาชน)

AI Energy Public Company Limited.

AIE 050/2018

February 27, 2018

Subject: Management's Discussion and Analysis for Year 2017 ended as of December 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 Year 2017 end as of December 31, 2017, which details are as following;

Results	Year 2017	Year 2016	Increase (Decrease)	
	Million Baht	Million Baht	Million Baht	Percentage
Total Revenues	2,461.06	3,489.97	(1,028.92)	(29.48)
Cost of Goods Sold and Service	(2,358.81)	(3,294.38)	(935.57)	(28.40)
Sell and Administration Expenses	(104.62)	(121.98)	(17.36)	(14.23)
Net Profit (Loss)	(72.28)	42.70	(114.98)	(269.26)
Earnings per share (Baht per share)	(0.02)	0.01	(0.03)	(269.26)

Net Profit

The company and subsidiaries realized net loss of Year 2017 ended as of December 31, 2017 of THB 72.28 million, decreased by THB 114.98 million or 269.26% comparing to the Year 2016 ended as of December 31, 2016 which the realized net profit for THB 42.70 million, for the following reasons;

Revenue

The company and subsidiaries realized the revenue as of December 31, 2017 of THB 2,461.06 million which decreased by THB 1,028.92 million or 29.48% from the Year 2016 ended as of December 31, 2016, which realized the revenue THB 3,489.97 million, where the reasons are summarized as follows.



Revenue	2017				2016				Increase (Decrease)			
	Quantity (Ton)	THB/Ton	THB ('000)	%	Quantity (Ton)	THB/Ton	THB ('000)	%	Quantity (Ton)	%	THB ('000)	%
1. Sales												
Biodiesel	68,791	28,059	1,930,184	78.43	73,513	36,076	2,652,041	75.99	(4,721)	(6.42)	(721,857)	(27.22)
By-product	9,905	11,678	115,678	4.70	9,980	5,347	53,359	1.53	(75)	(0.75)	62,319	116.79
Edible Oil	4,322	30,183	130,443	5.30	19,538	35,330	690,270	19.78	(15,216)	(77.88)	(559,827)	(81.10)
Ice Cube	-	-	-	-	-	-	20,911	0.60	-	-	(20,911)	(100.00)
** Total Sales	83,018	26,215	2,176,305	88.43	103,030	33,161	3,416,581	97.90	(20,012)	(19.42)	(1,240,276)	(36.30)
2. Production Service												
Biodiesel	43,510	900	39,159	1.59	36,198	900	32,578	0.93	7,312	20.20	6,581	20.20
Edible Oil	23,340	1,622	37,866	1.54	-	-	-	-	23,340	100.00	37,866	100.00
** Total Production Service	66,850	1,152	77,025	3.13	36,198	900	32,578	0.93	30,652	84.68	44,447	136.44
3. Sea Freight Carrier	-	-	32,921	1.34	-	-	29,942	0.86	-	-	2,979	9.95
4. Gain from disposed non-current asset	-	-	156,570	6.36	-	-	-	-	-	-	156,570	100.00
5. Other Income	-	-	18,236	0.74	-	-	10,873	0.31	-	-	7,363	67.72
*** Total Revenue	149,868	16,421	2,461,057	100.00	139,228	25,067	3,489,974	100.00	10,640		(1,028,917)	(29.48)

1. Revenue from Sales

1.1 Revenues from sales of biodiesel business to total revenue for the Year of 2017 and 2016 were 78.43% and 75.99% respectively, which was effected by two factors;

- Raw material price: the average price product from Crude Palm Oil (CPO) in Year of 2017 was THB 28.04 / kg., which lower than Year of 2016 of THB 36.08 / kg. since the price of crude palm oil within the country very fluctuated and increased due to the palm fruits crop over released to the market. These leads to a decrease in the crude palm oil price since 1st quarter of 2017 and to the lowest at THB 18.00 / kg. in 4th quarters.
- Quantity: Sale volume in the Year of 2017 was 68,791 tons, which has decreased by 4,721 tons or 27.22% a result from decrease purchased order from existing customer. Even though, there has been an increased Biodiesel blend in Diesel from 5% to 7% on May 8, 2017 since CPO became over supply. In 3rd and 4th quarters of 2017 received more purchased order as expected from the mandate change.

1.2 Revenues from sales of by-products to total revenue for the year of 2017 and 2016 were 4.70% and 1.53% respectively. The revenue from by-products in the year of 2017 has increased from the year of 2016 by THB 62.32 million or 11.68 %. Sales volume of Crude Glycerin has been increased due to an increase in Biodiesel's production and sale and the Crude Glycerin price.

1.3 Revenues from Edible Oil in 2017 have decreased from 2016 by 81.60% since the Company has changed its Edible Oil Sales policy into Edible Oil refining service in the beginning of 2017.



2. Refining Service

Revenues from Refining Service to total revenue for the year of 2017 and 2016 were 3.13% and 0.93% respectively.

2.1 The revenue from RBD Palm Oil Refining Service for Biodiesel in the year of 2017 is THB 39.16 million and 2016 for THB 32.58 million which has increased 7,312 tons of CPO or 20.20%

2.2 The revenue from Refining Service for Edible Oil in the year of 2017 is THB 37.87 million or 23,340 tons of CPO since January 2017.

3. Sea Freight Carrier Business

Revenue from Sea Freight Services in 2017 is THB 32.92 million, which more than revenue received in 2016 for THB 29.94 million. Currently, AIL put its vessel on the market for sale.

4. Gain from Disposed Non-Current Asset and Other Income

The Company and the Subsidiaries had Revenue from Other Income in the year of 2017 for THB 4.86 million, which were from service, interest received, and gain from foreign exchange. Also, AIPT gain from disposal of AIPT's assets and equipments for THB 156.57 million.

Cost of Sales and Services

The company and subsidiaries realized the cost of sales and services as of 2017 of THB 2,399.58 million and the ratio of cost of sales over total revenue was 97.50%, and as of 2016 of THB 3,306.91 million and the ratio of cost of sale over total revenue was 94.75%, which decreased by 26.00%, where the reasons are summarized as follows.



Cost of Sales and Services	2017				2016				Increase (Decrease)			
	THB ('000)	THB/Ton	% / Sales	%	THB ('000)	THB/Ton	% / Sales	%	THB ('000)	THB/Ton	% / Sales	%
1. Cost of Sales												
Biodiesel	2,071,786	30,117	107.34	86.34	2,486,543	33,825	93.76	74.82	(414,757)	(3,708)	(15.64)	(16.68)
By-product	97,744	9,868	84.50	4.07	50,818	5,092	95.24	1.53	46,926	4,776	75.30	92.34
Edible Oil	126,920	29,368	97.30	5.29	712,351	36,460	103.20	21.43	(585,431)	(7,092)	(1.03)	(82.18)
Ice Cube	-	-	-	-	17,814	-	85.19	0.54	(17,814)	-	(0.85)	(100.00)
** Total Cost of Sales	2,296,451	27,662	105.52	95.70	3,267,526	31,714	95.64	98.32	(971,075)	(6,024)	78.30	(29.72)
2. Cost of Production Service												
Biodiesel	29,478	677	75.28	1.23	26,852	742	82.42	0.81	2,626	(64)	39.91	9.78
Edible Oil	32,883	1,409	86.84	1.37	-	-	-	-	32,883	1,409	86.84	100.00
** Total Cost of Production Service	62,361	933	80.96	2.60	26,852	742	82.42	0.81	35,510	1,345	79.89	96.93
3. Sea Freight Carrier	40,771	-	123.85	1.70	28,982	-	-	0.87	11,789	-	123.85	0.00
Total Cost of Sales and Services	2,399,583		97.50	100.00	3,323,360		95.23	100.00	(923,776)		(26.47)	(27.80)

1. Cost of Sales

- 1.1 The cost of Sales-Biodiesel to total revenue as of 2017 is 107.34% increased by 16.11% from 2016 of 94.23%, 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. 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 By-products Sales was 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 2017, the ratio of cost of service to revenue was 81.77%, increasing 2016 of 82.42 % as follows;

- 2.1 The refining service for RBD Palm oil for Biodiesel has the ratio of cost of refining service to revenue in 2017 was 75.28%. 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 2017, the refining service of Edible Oil has the ratio of cost of refining service to revenue of 88.48%.



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Cost of Sea Freight Service

AIL has cost of sea freight service as of 2017 at THB 40.77 million with the ratio of cost of sea freight service to revenue at 123.85%.

Selling Expenses

The company's selling expenses as of 2017 was THB 11.95 million, which decreased from selling expenses the amount of THB 32.32 million in 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 as of 2017 was THB 90.95 million which increased by THB 9.31 million or by 11.40% from administration expenses the amount of THB 81.64 million in 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 24.00 million.

Financial Cost

The financial cost as of 2017 was THB 1.72 million, which decreased by THB 6.29 million or 78.47% from financial cost the amount of THB 8.01 million in 2016 due to loan repayment.

Please be informed accordingly.

Yours sincerely,

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