



Ref. AIE 144/2014

August 14, 2014

Subject: Management's Discussion and Analysis for 2nd quarter ended as of June 30, 2014
Attention: President
The Stock Exchange of Thailand

AI Energy Public Company Limited (AIE) would like to clarify of the company and subsidiaries for 2nd quarter ended as of June 30, 2014 (Q2) which details are as following;

Unit : Million Baht	Q2 / 2014	Q2 / 2013	Increased (Decreased)	
	Million Bath	Million Bath	Million Bath	Percentages
Total Revenues	1,065.33	1,137.42	(72.09)	(6.34)
Net Profit (Net Loss)	(16.09)	43.93	(60.02)	(136.62)
Earnings per share (Baht per share)	(0.014)	0.049	(0.063)	(128.57)

Net profit (Loss)

The company and subsidiaries have net loss of THB 16.09 million in Q2/2014, while Q2/2013 realized net profit of THB 43.93 million, as a result of an increase on provision for diminution in inventory value in its subsidiaries by the amount of THB 68.25 million in Q2/2014. For a separate financial statement, the production and distribution of biodiesel, edible oil (Palm Olein), refining service, realized an increase of net profit by THB 21.59 million comparing to the same period last year.

Revenue

The company and subsidiaries realized THB 1,065.33 million for revenues in Q2/2014 which decreased by THB 72.09 million or 6.34% comparing to revenues of THB 1,137.42 million in Q2/2013, where the reasons are summarized as follows.

1. For manufacture and sales of biodiesel business has decreased by THB 87.59 million or 11.25% for revenues in Q2/2014 resulted from the government has amended mandate on B7 biodiesel blend into B4, which made sale volume fall but sales price increased. For glycerin and by-product revenues have increased



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by THB 3.52 million or 3.08%, where the major contribution came from sale of Glycerin in both quantity and price.

2. For manufacture and sales of edible oil (Palm Olein) has increased by THB 24.83 million or 12.53% for revenues in Q2/2014, resulted from the company has expanded to new customer base in both industrial group and modern trade group.
3. The revenues from palm oil refining service has decreased by THB 14.73 million or 44.95% in Q2/2014 comparing to Q2/2013, resulted from government amended mandate on B7 biodiesel blend into B4.
4. For ports and terminal services and ice cube factory have increased by THB 2.29 million in Q2/2014.
5. The revenue from sea freight carrier business has increased by THB 1.17 million or 14.59% in 2nd quarter of 2014.
6. Other income in Q2/2014 has decreased by THB 1.57 million or 28.07% comparing to Q2/2013, the major contribution in the company's other income came from sale of scrap from production.

Cost of Sales and Services

The company realized the cost of sales in 2nd quarter of 2014 for THB 1,043.12 million, which has increased by THB 3.62 million or 0.35% comparing to the same period last year. The main reasons were as follows:

1. Cost of Sales of biodiesel in Q2/2014 was accounted to 89.71% of revenue, a decreased by 3.69% comparing to the same period in 2013 at 93.40%. Cost of Sales of glycerin and by-product were 73.68% in Q2/2014 which increased by 4.43% comparing to the same period in 2013 at 69.26%. Because the company was able to improve its production line including an improvement in the efficiency of the raw material procurement process.
2. Cost of sales of edible oil (Palm Olein) in Q2/2014 was 104.67% of revenues. Comparing to the same period in 2013 at 96.11%, increased by 8.56% because the company's average raw material cost was higher than selling price.
3. The Cost of palm oil refining service in Q2/2014 has increased from 46.54% in Q2/2013 to 64.35% of revenue or increased by 17.81%.
4. The cost of sales for ports and terminal service and ice cube factory in Q2/2014 has increased by 25.84% due to an increase in sales volume.
5. Cost of sea freight carrier service in Q2/2014 has increased from 93.27% in Q2/2013 to 178.13% of revenue or increased by 118.85%.



Selling Expenses

The company's selling expenses as of Q2/2014 was THB 15.23 million, which decreased by THB 4.05 million or 20.98% from selling expenses the amount of THB 19.28 million in Q2/2013. The major contributions were the cost of transportation and products insurances.

Administration Expenses

The company's administration expenses in Q2/2014 was THB 12.71 million. The expenses decreased by THB 0.50 million or 3.76% comparing to the same quarter in 2013, which had administration expenses the amount of THB 13.21 million.

Financial Cost

The financial cost as of June 30, 2014 was THB 7.54 million, which decreased by THB 3.20 million or 29.81% comparing to Q2/2013. Due to the repayment of Loans to financial institutions.

Please be informed accordingly.

Yours sincerely,

(Mr. Anurag Thareratanavibool)

Managing Director