

### **13. Financial Information**

The corporate accounting period begins on November 1 and ends on October 31 of every year.

#### **13.1) Report of Independent Auditor**

##### **1) Auditor**

Year 2015	Miss Wimolporn Boonyusthian, Certified Public Accountant, Registration No. 4067, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.
Year 2016	Mr. Niti Jungnitnirundr, Certified Public Accountant, Registration No. 3809, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.
Year 2017	Mr. Niti Jungnitnirundr, Certified Public Accountant, Registration No. 3809, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd

##### **2) Summary of the audit reports over the past three years**

Year 2015	The Auditor reviewed corporate financial statements and issued unconditional opinions.
Year 2016	The Auditor reviewed corporate financial statements and issued unconditional opinions.
Year 2017	The Auditor reviewed corporate financial statements and issued unconditional opinions.

#### **13.2) Percentage of Shareholding in the Subsidiaries and Consolidated Financial Statements Preparation Criteria**

The financial statements for the year of 2015 - 2017 include a total of 14 subsidiaries

***Table 13.1: Percentage of Direct and Indirect Corporate Shareholding***

	<u>Percentage of Shareholding</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Tamaka Sugar Industry Company Limited	90.21	90.21	90.21
New Krung Thai Sugar Factory Company Limited	95.78	95.78	95.78
New Kwang Soon Lee Sugar Factory Company Limited	98.61	98.61	98.61
KSL Real Estate Company Limited*	91.02	91.02	91.02
KSL Export Trading Company Limited**	79.55	79.55	79.55
KSL Material Supplies Company Limited	100.00	100.00	100.00
Khon Kaen Sugar Power Plant Company Limited	100.00	100.00	100.00

KSL Green Innovation Public Company Limited***	100.00	100.00	-
KSL Agro and Trading Company Limited	100.00	100.00	100.00
WSP Logistic Company Limited****			
Savannakhet Sugar Corporation	98.49	98.49	98.49
Koh Kong Plantation Company Limited*****	80.00	80.00	80.00
Koh Kong Sugar Industry Company Limited	80.00	80.00	80.00
Wynn In Trading Company Limited	100.00	100.00	100.00

## NOTE:

\* The Company holds shares indirectly through Tamaka Sugar Industry Company Limited

\*\* The Company holds shares indirectly through New Krung Thai Sugar Factory Company Limited, Tamaka Sugar Industry Company Limited and New Kwang Soon Lee Sugar Factory Company Limited.

\*\*\* KSL Green Innovation Public Company Limited, formerly KSL's subsidiary. Currently The Company holds its shares indirectly through BBGI Company Limited which is a associated company.

\*\*\* WSP Logistic Company Limited, established in year 2016, currently still does not operate, the company objective is to provide logistics services.

\*\*\*\* The Company holds shares indirectly through Wynn In Trading Company Limited.

**13.3) Profit and Loss Statement**

In 2017, the company generated the revenues from operations of THB 15,623 million, in total, decreasing from that in the previous year by 8%. The revenue from sales amounted to THB 15,371 million and the revenue from services amounted to THB 252 million. Regarding the increase in world sugar price in 2017, the export sugar price increased by 16-20% but the company had sales volume, dropped by 27% from lower sugar cane volume. In addition, the revenue from ethanol sales and electrical sales decreased. As a result, revenue from operations, in total, decreased from that in the previous year by 8%.

The company recorded the total cost of THB 13,180 million, decreased 1% from previous year. The gross profit decreased 33% from THB 3,632 million to THB 2,443 million.

Other incomes in 2017 amounted to THB 3,416 million, compared to THB 1,498 million in 2016. The increases came from as follows:

	<u>2017</u>	<u>2016</u>
(1) Gain from asset sales	-	21 million
(2) Gain on fair value adjustments of investment property	426 million	1,138 million
	53 million	30 million
(3) Gain (Loss) from exchange rate	4 million	26 million
(4) Gain (Loss) from derivatives	2,370 million	45 million
(5) Gain from Asset sales	563 million	238 million
(6) Other incomes		
Total	3,416 million	1,498 million

As a result, the company had the profit before the selling and administrative expenses THB 5,859 million, increased by 14%, compared to previous year.

Regarding the selling and administrative expenses

- (1) The company incurred selling expenses totaled THB 424 million, decreasing by 22% due to decrease in export volume.
- (2) Administrative expenses totaled THB 1,134 million, increasing by 36% which caused by loss from asset impairment, Loss on asset disposal and Loss on fair value adjustments of biological assets.
- (3) Remuneration to executives THB 147 million
- (4) Fee paid to Sugar Fund, THB 1,096 million, dropped from previous year at THB 1,150 million.

Subsequently, the company had the profit before financial cost and tax expenses totaled THB 3,059 million, increasing by 24 %.

In 2017, the company incurred financial cost of THB 668 million, a decrease by 6%. The corporate income tax burden amounts to THB 560 million. Apart from that, there are THB 19 million of minor interest and THB 121 million of profit sharing from affiliated companies. The company's net profit increased by 38% from the previous year, from THB 1,426 million to THB 1,970 million in 2017.

**Table 13.2 : Consolidated Profit and Loss in the past 3 years**

Income Statement Highlight (Million THB)	12M_2015	12M_2016 Restate	12M_2017	% Change
Sales and Services	17,475	16,911	15,623	-8%
Cost of Sales and Services	(13,783)	(13,279)	(13,180)	-1%
Gross Profit from Sales and Services	3,692	3,632	2,443	-33%
Other Incomes	523	1,498	3,416	128%
Gross Profit before SG&A	4,216	5,130	5,859	14%
Selling Expenses	(618)	(542)	(424)	-22%
Administration Expenses	(659)	(834)	(1,134)	36%
Management Remuneration	(140)	(141)	(147)	4%
Proceeds to Fund	(1,157)	(1,150)	(1,096)	-5%
Total Cost	(2,575)	(2,666)	(2,800)	5%
Profit before financial cost and tax	1,641	2,464	3,059	24%
Financial cost	(817)	(710)	(668)	-6%
Share of Profit of Associated Company	55	57	121	
Corporate Income Tax	(39)	(371)	(560)	51%
Non-Controlling interest	22	(14)	19	
Net Profit	862	1,426	1,970	38%
EPS	0.21	0.32	0.45	38%
Gross Margin from Sales and Services	21.1%	21.5%	15.6%	
Net Profit Margin	4.9%	8.4%	12.6%	

With reference to the company's revenue structure, the total revenues from operations were THB 15,623 million. The company had revenues from sales of sugar and molasses amounted to THB 11,943 million, accounting for 79% of the total revenue. Revenues from sales of ethanol and gasoline totaled THB 2,100 million, representing 14% of the total revenue. Electricity sales, which the corporate power generation facilities had distributed to Grid (EGAT & PEA), amounted to THB 751 million, accounting for 5% of the total revenue. Revenues from service amounted to THB 252

million, and other revenues amounted to THB 11 million. The rest of the revenues were generated from trading amounted to THB 467 million.

**Table 13.3 : Consolidated Revenue Structure in the past 3 years**

Revenue Structure (Million THB)	12M_2015	12M_2016	12M_2017	% Change
		Restate		
<b>Sales and Services</b>				
Sugar Sales	12,933 76%	13,084 79%	11,928 79%	-9%
Molasse Sales	330 2%	326 2%	15 0%	-95%
Other Income from sugar & molasses	113 1%	154 1%	98 1%	-36%
Electric Sales	1,011 6%	808 5%	751 5%	-7%
Ethanol and Benzene Sales	2,510 15%	2,023 12%	2,100 14%	4%
Fertilizer Sales	17 0%	5 0%	0 0%	-97%
Wheat Flour, Palm oil and Sacks	0 0%	0 0%	0 0%	
Services	156 1%	167 1%	252 2%	51%
Others	18 0%	13 0%	11 0%	-19%
<b>Total</b>	<b>17,090 100%</b>	<b>16,580 100%</b>	<b>15,157 100%</b>	<b>-9%</b>
<b>Trading Activities</b>				
Sales of fuels	298 77%	186 56%	242 52%	30%
Sales of fertilizer	64 17%	118 36%	197 42%	67%
Sales of Supplies	23 6%	26 8%	28 6%	6%
<b>Total</b>	<b>386 100%</b>	<b>331 100%</b>	<b>467 100%</b>	<b>41%</b>

#### 13.4) Statement of Financial Position of the Company and its Subsidiaries

**Table 13.4 : A Summary of the Consolidated Statement of Financial Position in the past 3 years**

Statement of Financial Position Highlight (Million THB)	12M_2015	12M_2016	12M_2017	% Change
	Restate	Restate		
Cash & Short Term Investments	175	85	153	80%
Trade and Other receivables	2,119	1,407	1,292	-8%
Short-Term Loans	1,097	1,273	1,569	23%
Inventories	3,394	2,552	3,100	21%
Biological Assets	342	251	112	-55%
Other Current Assets	92	85	64	-25%
Investment in an associate	357	387	3,747	869%
Other long-term investments	374	371	405	9%
long-term loans	480	358	393	10%
Investment property	3,355	4,496	4,917	9%
Property, plant and equipment	24,934	26,186	26,354	1%
Other non-current assets	800	925	884	-4%
<b>Total Assets</b>	<b>37,517</b>	<b>38,375</b>	<b>42,991</b>	<b>12%</b>
Current liabilities	8,028	10,591	14,818	40%
Non-Current liabilities	15,047	11,134	10,080	-9%
<b>Total Liabilities</b>	<b>23,075</b>	<b>21,724</b>	<b>24,898</b>	<b>15%</b>
<b>Total Shareholders' Equity</b>	<b>14,442</b>	<b>16,650</b>	<b>18,092</b>	<b>9%</b>
Equity attributable to owners of the parent	13,991	16,166	17,650	
D/E Ratio	1.60	1.30	1.38	
IBD/E Ratio	1.47	1.13	1.20	

In 2017, the company and its subsidiaries had the total assets of THB 42,991 million, 12% increased from the total assets of previous year of THB 38,375 million. Total liabilities increased by 15% from THB 21,724 million in 2016 to THB 24,898 million in 2017 which affected total debt to equity ratio increased from 1.30 in 2016 to 1.38 in 2017 and interest-bearing debt to equity ratio also increased from 1.13 in 2016 to 1.20 in 2017. The accounts that changed significantly compared to 2016 are as follows;

(1) 23% increase in Short term loans due to that the company bought back post date cheque from the farmer, higher than those of previous year

(2) Inventories decreased by 23% from higher sugar stock volume, compared to the amount of year 2016.

(3) 9% increase in Investment property from the appraisal in higher value of the asset.

(4) Property, plant and equipment increased by 1%, from transfer in asset under construction.

(5) Other non-current assets decreased by 4%, from Loss from non-operating asset impairment.

(6) Current liabilities increased by 40% while non-current liabilities decreased by 9% due to the Company borrowed short-term debt to temporarily finance project (Bridging loan) before switch to long-term debt and also the portion of long-term debt which will be due within 1 year in 2017.

### 13.5) Cash Flow Statement

**Table 13.5 : Cash Flow Statements of the Company in the past 3 years**

Cash Flow Highlight (Million THB)	12M_2015	12M_2016 Restate	12M_2017	% Change
Net Profit + Depre + Non Cash	2,785	2,462	2,185	-11%
Change in Working Capital	(1,319)	1,575	(1,948)	
<i>from Operating Activities</i>	1,466	4,038	236	-94%
Invest in PP&E	(573)	(1,578)	(3,098)	96%
<i>from Investing Activities</i>	(552)	(1,521)	(3,320)	118%
<i>from Financing Activities</i>	(782)	(2,620)	3,149	-220%
Change in Cash Flow	0	(86)	71	
Ending Cash	168	82	153	
Depreciation	1,139	1,247	1,182	-5%

In 2017, the company and its subsidiaries received cash flows from their operations before change in working capital totaled THB 2,185 million, a 11% decreased from year 2016 due to the decrease from overall operations, while in 2017, the company had more inventories. As a result in 2017, the company and its subsidiaries have THB 236 million of cash flow from operating activities or decreased by 94%.

Regarding the cash flows from investing activities, the company and its subsidiaries had cash paid in (net) totaled THB 3,098 million, of which THB 3,320 million was mainly invested in properties, plants and equipment (net) mainly from the expansion project of sugar mill and power plant in Wangsapung District, Loei Province.

Regarding financing activities in 2016, the company and its subsidiaries received the net cash of THB 3,149 million, mainly from financial institutions loan and debt instrument issuance.

**13.6) Financial Ratios****Table 13.6 : Financial Ratios**

Financial Ratios (Million THB)	12M_2015	12M_2016 Restate	12M_2017
<b>Short term liquidity ratios</b>			
Current Ratio	0.90	0.53	0.42
Acid Test Ratio	0.42	0.26	0.20
Collection period	45	38	32
Days of inventory	103	82	78
<b>Capital Structure and Solvency ratio</b>			
D/E Ratio	1.60	1.30	1.38
IBD/E Ratio	1.47	1.13	1.20
LTD to equity	1.04	0.67	0.56
<b>Return on Investment ratios</b>			
ROA	2%	4%	5%
ROE	6%	9%	11%
<b>Operating performance ratios</b>			
Gross Profit Ratio	21%	21%	16%
Operating Profits to sales	9%	15%	20%
Pretax profit to sales	5%	11%	16%
Net income to Sales	5%	8%	13%
<b>Market Measures</b>			
Book Value per Share	3.49	3.67	4.00
Earning Per Share	0.21	0.32	0.45

According to the 2017 financial ratios, liquidity ratios that is part of Current ratio and Acid test ratio had reduced due to the Company borrowed short-term debt to temporarily finance project (Bridging loan) before switch to long-term debt and also the portion of long-term debt which will be due within 1 year in 2017. However, the company had the plan to re-balance this mismatch by financing some long-term loan or issue new debenture.

Regarding solvency ratios, it can be seen that the D/E ratio and IBD/E ratio had slightly increased as a result of debt financing.

In terms of profitability ratios, the gross profit margin was decreased compare to the previous year, while Operating Profit to sales, Pretax profit to sales, and Net Income to Sales improved, mainly from gain on fair value adjustments of investment property and gain on sale of investment in subsidiaries.

## **14. Management Discussion and Analysis**

Khon Kaen Sugar Industry Public Company Limited and its subsidiaries ("KSL") would like to report our financial performance of year 2017 (November 2016 – October 2017). The Company recorded a net profit of THB 1,952 million, compared to the net profit of THB 1,440 million last year, representing an increase of 36%. The details were, as followings:

### **Drought caused lower cane production**

In 2016, drought in Thailand caused the Company less cane production in 2017. The Company has crushed cane in 2017, 6.83 million tons compare to 7.61 million tons in 2016 or 10% less. As a result, (1) Thailand sugar business: Higher cane cost and higher production cost per unit, (2) Oversea sugar business : Damaged cane plantation and impairment loss from damaged cane THB 203 million, (3) Ethanol business : Higher cost of production due to average molasses cost increased from 3,649 THB/ton to 4,305 THB/ton in 2017, (4) Power business : Higher biomass cost.

As a result, the gross profit margin dropped in the consolidate income statement from 21% to 16% in 2017.

### **World sugar price volatility**

At the beginning of 2017, world sugar price has climbed up to 20 cent/lb then dropped sharply to 14 – 15 cent/lb during last quarter of the year due to funds speculation and global sugar supply forecasted to be surplus in 2018. As a result, the Company recorded average selling price increase from 14,939 THB/ton to 17,362 THB/ton or increased by 16%. However the Company recorded sales volume decrease from 875,841 tons to 687,046 tons and marked to market loss from inventory THB 301 million.

### **Other incomes**

In 2017, the subsidiary's ethanol business has amalgamated with Bio-fuel business of subsidiary of Bangchak Corporation PCL. This amalgamation in accounting aspect has to be a sell of existing subsidiary, and then invest in the new bio-fuel company instead (KSL's new associated company). As a result, the Company recorded gain from amalgamation of THB 2,370 million or THB 1,896 million after tax. In addition, the Company has recorded impairment loss from non-operating asset of THB 223 million which mostly consisted of appraisal of Oversea business's asset and also recorded additional Employee benefit reserve of THB 56 million due to the new labor law which new retirement compensation rate will apply soon.

For overall 2017 performance, the Company recorded a net profit of THB 1,952 million, compared to the net profit last year at THB 1,440 million, representing an increase of 36%. The Company's total assets were recorded at THB 42,991 million, with total liabilities of THB 24,899 million and total shareholders' equity of THB 18,092 million. Debt to Equity Ratio (D/E) and Interest Bearing Debt to Equity Ratio represented are at 1.38 and 1.20, respectively.