

Part 3

Financial Position and Operating Performance

13. Financial Information**13.1 Summary of the audit reports over the past three years**

The consolidated and company financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

1. Auditor for the consolidated and company financial statements in three years.

Financial Statements as at 31 December, 2014.
Prasit Yuengsrikul
Certified Public Accountant (Thailand) No. 4174
PricewaterhouseCoopers ABAS Ltd.

Financial Statements as at 31 December, 2015.
Prasit Yuengsrikul
Certified Public Accountant (Thailand) No. 4174
PricewaterhouseCoopers ABAS Ltd.

Financial Statements as at 31 December, 2016.
Sumalee Reewarabandith
Certified Public Accountant (Thailand) No. 3970
EY Office Ltd.

2. Auditor's Reports for three years.

Auditor's opinion for financial statements as at 31 December 2014

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position of Kaset Thai International Sugar Corporation Public Company Limited and its subsidiaries and of Kaset Thai International Sugar Corporation Public Company Limited as at 31 December 2014, and its consolidated and company results of operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards

Auditor's opinion for financial statements as at 31 December 2015

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position of Kaset Thai International Sugar Corporation Public Company Limited and its subsidiaries and of Kaset Thai International Sugar Corporation Public Company Limited as at 31 December 2015, and its consolidated and company results of operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Auditor's opinion for financial statements as at 31 December 2016

I have audited the accompanying consolidated financial statements of Kaset Thai International Sugar Corporation Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Kaset Thai International Sugar Corporation Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kaset Thai International Sugar Corporation Public Company Limited and its subsidiaries and of Kaset Thai International Sugar Corporation Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

13.2 Summary of financial statements of the Company and its subsidiaries.
Financial Statement

	For the year end					
	31Dec 2014 Consolidated		31Dec 2015 Consolidated		31Dec 2016 Consolidated	
	Million Baht	Percentage ¹	Million Baht	Percentage ¹	Million Baht	Percentage ¹
Current assets						
Cash and cash equivalents	828.07	4.43	346.73	1.84	339.43	2.11
Short-term investments	0.97	0.01	-	-	-	-
Restricted bank deposits	10.02	0.05	-	-	-	-
Trade and other receivables	1,446.27	7.74	1,175.59	6.26	688.90	4.29
Planter receivables	519.15	2.78	431.47	2.30	555.99	3.46
Inventories	4,845.70	25.93	2,914.63	15.51	1,861.17	11.59
Biological assets	-	-	16.53	0.09	29.65	0.18
Factory overhaul costs	-	-	578.78	3.08	645.68	4.02
Other current assets	116.39	0.62	114.28	0.61	96.87	0.60
Total current assets	7,766.57	41.55	5,578.01	29.68	4,217.68	26.27
Non-current assets						
General investments	0.39	0.00	0.39	0.00	0.39	0.00
Amounts due from the Office of the Cane and Sugar Fund	-	-	798.05	4.25	-	-
Investment properties	304.22	1.63	323.18	1.72	328.71	2.05
Property, plant and equipment	10,063.94	53.85	11,345.66	60.37	10,851.09	67.60
Intangible assets	234.30	1.25	300.77	1.60	296.79	1.85
Deferred tax assets	202.61	1.08	242.39	1.29	187.91	1.17
Other non-current assets	117.84	0.63	204.75	1.09	169.74	1.06
Total non-current assets	10,923.30	58.45	13,215.20	70.32	11,834.64	73.73
Total assets	18,689.86	100.00	18,793.21	100.00	16,052.32	100.00

Remark 1-Percentage of Total Assets

Financial Statement (Continued)

	For the year end					
	31Dec 2014		31Dec 2015		31Dec 2016	
	Consolidated		Consolidated		Consolidated	
	Million Baht	Percentage ¹	Million Baht	Percentage ¹	Million Baht	Percentage ¹
Liabilities and shareholders' equity						
Current liabilities						
Bank overdrafts and short-term loans from financial institutions	2,550.72	13.65	1,922.01	10.23	1,066.54	6.64
Trade and other payables	3,032.90	16.23	2,207.99	11.75	1,894.59	11.80
Short-term loans from related parties	682.00	3.65	-	-	-	-
Current portion of liabilities under finance lease agreements	5.72	0.03	6.34	0.03	7.04	0.04
Current portion of long-term loans from financial institutions	724.56	3.88	631.89	3.36	503.60	3.14
Current portion of long-term loans from related party	4.85	0.03	4.85	0.03	4.85	0.03
Current portion of long-term loans from the Office of the Cane and Sugar Fund	47.89	0.26	53.80	0.29	63.29	0.39
Income tax payable	48.94	0.26	0.76	0.00	35.54	0.22
Other current liabilities	84.08	0.45	121.23	0.65	67.45	0.42
Total current liabilities	7,181.67	38.43	4,948.89	26.33	3,642.92	22.69

Remark 1 - Percentage of total liabilities and shareholders' equity.

	For the year end					
	31Dec 2014 Consolidated		31Dec 2015 Consolidated		31Dec 2016 Consolidated	
	Million Baht	Percentage ¹	Million Baht	Percentage ¹	Million Baht	Percentage ¹
Non-current liabilities						
Liabilities under finance lease agreements - net of current portion	812.31	4.35	805.96	4.29	798.92	4.98
Long-term loans from financial institutions - net of current portion	959.12	5.13	3,248.87	17.29	2,745.27	17.10
Long-term loans from related party - net of current portion	87.30	0.47	82.45	0.44	77.60	0.48
Long-term loans from the Office of the Cane and Sugar Fund - net of current portion	140.26	0.75	145.20	0.77	82.71	0.52
Provision for long-term employee benefits	299.17	1.60	260.94	1.39	295.09	1.84
Provision for decommissioning costs	10.00	0.05	10.47	0.06	19.98	0.12
Other non-current liabilities	627.62	3.36	597.98	3.18	568.32	3.54
Total non-current liabilities	2,935.78	15.71	5,151.87	27.41	4,587.89	28.58
Total liabilities	10,117.45	54.13	10,100.76	53.75	8,230.80	51.27
Shareholders' equity						
Share capital						
Registered						
3,888,000,000 ordinary shares of Baht 1 each	3,888.00	20.80	-	-	-	-
3,888,000,010 ordinary shares of Baht 1 each	-	-	3,888.00	20.69	3,888.00	24.22
Issued and fully paid up						
3,860,000,000 ordinary shares of Baht 1 each	3,860.00	20.65	-	-	-	-
3,860,000,010 ordinary shares of Baht 1 each	-	-	3,860.00	20.54	3,860.00	24.05
Share premium	5,202.88	27.84	5,202.88	27.68	5,202.88	32.41
Capital surplus on share-based payment	3.71	0.02	48.20	0.26	92.69	0.58
Retained earnings						
Appropriated - statutory reserve	212.67	1.14	245.19	1.30	256.44	1.60
Unappropriated	2,870.32	15.36	2,913.35	15.50	1,986.67	12.38
Other components of shareholders' equity	(3,577.17)	(19.14)	(3,577.17)	(19.03)	(3,577.17)	(22.28)
Total shareholders' equity	8,572.41	45.87	8,692.46	46.25	7,821.51	48.73
Total liabilities and shareholders' equity	18,689.86	100.00	18,793.21	100.00	16,052.32	100.00

Remark 1 - Percentage of total liabilities and shareholders' equity.

(Unofficial Translation) Certification of information accuracy..... | Part 3 Page 5

Financial Statement (Continued)

	For the year end					
	31Dec 2014		31Dec 2015		31Dec 2016	
	Consolidated		Consolidated		Consolidated	
	Million Baht	Percentage ¹	Million Baht	Percentage ¹	Million Baht	Percentage ¹
Sales and services income	20,120.14	100.00	19,328.22	100.00	15,005.63	100.00
Cost of sales and services	14,902.45	74.07	14,854.15	76.85	12,168.71	81.09
Gross Profit	5,217.69	25.93	4,474.07	23.15	2,836.92	18.91
Other income	256.58	1.28	115.69	0.60	80.96	0.54
Selling expenses	1,929.70	9.59	1,939.73	10.04	1,583.39	10.55
Administrative expenses	1,489.54	7.40	1,422.45	7.36	1,288.28	8.59
Loss on exchange	180.39	70.31	172.90	149.45	117.55	145.20
Finance cost	415.31	2.06	372.93	1.93	316.96	2.11
Profit (loss) before income tax expenses	1,459.35	7.25	681.73	3.53	(388.30)	(2.59)
Income tax benefits (expenses)	(93.59)	(0.47)	48.22	0.25	(124.23)	(0.83)
Profit (loss) for the year	1,365.76	6.79	729.95	3.78	(512.53)	(3.42)
Earnings per share						
Basic earnings (loss) per share	0.38		0.19		(0.13)	

Remark 1- Percentage of revenue from sales to service.

Cash flows

	For the year end		
	31Dec 2014	31Dec 2015	31Dec 2016
	Consolidated	Consolidated	Consolidated
Cash flows from operating activities			
Profit (loss) before tax	1,459.35	681.73	(388.30)
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:			
Depreciation and amortisation	820.37	940.61	1,142.27
Gain on realised discount from transferring right of planter receivables	(23.87)	(9.41)	(14.15)
Allowance for doubtful accounts (reversal)	62.24	3.25	20.04
Reduction cost of inventory to net realisable value (reversal)	40.31	179.86	(176.18)
Loss on impairment of investment properties (reversal)	8.41	1.95	(1.28)
Loss on impairment of property plant and equipment	-	72.39	31.57
Gain arising from change in fair value of biological assets	-	-	(4.23)
Deferred revenue from the Office of the Cane and Sugar Fund	-	(222.38)	-
Unrealised loss on exchange	7.66	27.52	1.27
Loss on sales of investment properties			0.20
Gain on sales of equipment	(5.37)	(13.51)	(15.39)
Loss on write-off of equipment	59.79	10.82	0.24
Long-term employee benefits expenses	24.91	24.82	21.03
Share-based payment	3.71	44.49	44.49
Interest income	(34.49)	(30.41)	(21.36)
Interest expense	415.31	372.93	316.96
Profit (loss) from operating activities before changes in operating assets and liabilities	2,838.32	2,084.66	957.18

Cash flows (Continued)

	For the year end		
	31Dec 2014	31Dec 2015	31Dec 2016
	Consolidated	Consolidated	Consolidated
Profit (loss) from operating activities before changes in operating assets and liabilities	2,838.32	2,084.66	957.18
Trade and other receivables	(323.78)	(304.90)	486.60
Planter receivables	(9.29)	93.52	(131.76)
Inventories	(324.46)	1,751.21	1,229.64
Other current assets	(10.95)	32.90	(57.21)
Amounts due from the Office of the Cane and Sugar Fund	-	(558.66)	798.05
Other non-current assets	7.00	(86.67)	35.01
Trade and other payables	(675.98)	(794.45)	(344.90)
Other current liabilities	(10.36)	37.15	(53.86)
Other non-current liabilities	(0.20)	-	-
Cash paid for long-term employee benefits	(8.14)	(15.07)	(8.01)
Cash flows from operating activities	1,482.16	2,239.70	2,910.74
Cash paid for interest expenses	(415.59)	(239.51)	(217.43)
Cash paid for income tax	(120.74)	(97.40)	(31.89)
Net cash flows from operating activities	945.84	1,902.78	2,661.42

Cash flows (Continued)

	For the year end		
	31Dec 2014	31Dec 2015	31Dec 2016
	Consolidated	Consolidated	Consolidated
Cash flows from investing activities			
Decrease in restricted bank deposits	(10.02)	10.02	-
Proceed from sales of short-term investments	(0.02)	0.97	-
Acquisition of property, plant and equipment	(2,179.30)	(2,308.07)	(506.25)
Capitalised interest of plant and equipment	(23.19)	(40.81)	(24.57)
Proceed from sales of equipment	12.06	17.56	16.99
Cash paid for payable from purchases of property, plant and equipment	-	-	(98.54)
Acquisition of intangible assets	(130.27)	(77.10)	(5.89)
Acquisition of investment properties	-	(19.15)	(3.26)
Proceed from sales of investment properties	-	-	0.10
Interest income	34.67	30.41	21.37
Net cash flows from (used in) investing activities	(2,296.06)	(2,386.17)	(600.06)

Cash flows (Continued)

	For the year end		
	31Dec 2014	31Dec 2015	31Dec 2016
	Consolidated	Consolidated	Consolidated
Cash flows from financing activities			
Decrease in bank overdrafts and short-term loans from financial institutions	1,048.38	(723.63)	(891.57)
Decrease in short-term loans from related parties	(286.33)	(682.00)	-
Proceed from issue of ordinary shares	3,706.00	0.00	-
Increase (decrease) in long-term loans from financial institutions	(1,487.70)	2,195.90	(634.05)
Decrease in long-term loans from related party	(4.85)	(4.85)	(4.85)
Increase (decrease) in long-term loans from the Office of Cane and Sugar Fund	(50.21)	7.13	(56.56)
Payment of liabilities under finance lease agreements	(95.70)	(95.70)	(95.70)
Dividend paid	(1,157.99)	(694.80)	(385.92)
Net cash flows from (used in) financing activities	1,671.60	2.05	(2,068.66)
Net increase (decrease) in cash and cash equivalents	321.38	(481.34)	(7.30)
Cash and cash equivalents at beginning of year	416.31	828.07	346.73
Cash and cash equivalents at end of year	828.07	346.73	339.43

Financial Ratios

		Unit	For the year end		
			31Dec 2014	31Dec 2015	31Dec 2016
			Consolidated	Consolidated	Consolidated
Liquidity Ratio					
	Current Ratio	Times	1.08	1.13	1.16
	Quick ratio	Times	0.32	0.31	0.28
	Operating Cash Flow Ratio	Times	0.11	0.31	0.62
	Accounts receivable turnover ratio	Times	16.16	14.74	16.10
	Average Collection Period	Days	22.58	24.76	22.68
	Inventory Turnover	Times	3.17	3.83	5.10
	Average Sale (Inventory) Period	Days	115.20	95.34	71.62
	Account Payable Turnover	Times	4.49	5.67	5.93
	Average Payment Period	Days	81.30	64.39	61.53
	Cash Cycle	Days	56.48	55.71	32.77
Profitability Ratio					
	Gross Profit Margin	%	25.93	23.15	18.91
	Operating Profit Margin	%	8.04	4.86	-1.01
	Net Profit Margin	%	6.79	3.78	-3.42
	Return on Equity	%	24.47	8.46	-6.21

Remark The formula used by SET

Financial Ratios (Continued)

	Unit	For the year end		
		31Dec 2014	31Dec 2015	31Dec 2016
		Consolidated	Consolidated	Consolidated
Efficiency Ratio				
Return on Asset	%	10.77	5.63	-0.41
Return on Fixed Assets	%	19.88	9.85	-0.64
Total Asset Turnover	Times	1.17	1.04	0.87
Fixed Asset Turnover	Times	2.16	1.82	1.36
Financial Policy Ratio				
D/E Ratio	Times	1.18	1.16	1.05
Interest Coverage Ratio	Times	4.51	2.83	-0.23
Dividend Payout 3	%	50.87	52.88	N/A

Remark The formula used by SET

14. Management Discussion and Analysis
Business performance summary in 2016

Total revenue consists of sales and services revenues and other income. The Company and its subsidiaries' total revenues in 2016 was Baht 15,086.6 million, decreased Baht 4,357.3 million or 22.4% from 2015 which was Baht 19,443.9 million due to lower revenue from sales and services and other income.

Sales and services revenues in 2016 was Baht 15,005.6 million, decreased 22.4% from 2015 which was Baht 19,328.2 million. Since the drought from previous year caused lower quantity of canes for sugar production in 2016 and also impacted its downstream business raw materials. Details were as follows;

Production year		2014/2015	2015/2016	
Thailand	Sugar cane volume	106.0	94.0	Million tons
	Sugar	113.0	97.8	Million bags (100 kg per bag)
	Molasses	4.6	4.3	Million tons
The Company	Sugar cane volume	9.8	7.5	Million tons
	Sugar	9.9	7.2	Million bags (100 kg per bag)
	Molasses	0.5	0.4	Million tons

Source: Office of the Cane and Sugar Board.

- In 2016, Revenues from sugar business decreased 26.1% due to the sale volumes of sugar and molasses decreased while selling prices increased.
- In 2016, Revenues from bagasse bleached pulp decreased 31.4 % due to both domestic and export sale volumes decreased while selling price increased.
- In 2016, Revenues from ethanol business slightly decreased 0.3% due to the selling price decreased while sale volume increased.
- In 2016, Revenues from electricity increased 30.0% due to longer selling period of Kaset Thai Bio Power and Q2/2016 Thai Ekaluck Power started to sell commercially while the selling price per unit decreased.
- In 2016, Revenues from others i.e. agricultural machinery services etc. decreased 13.0%.

Other income in 2016 was Baht 81.0 million, decreased Baht 34.7 million or 30.0% from 2015 which was Baht 115.7 million,

Cost of sales and services in 2016 was Baht 12,168.7 million, decreased Baht 2,685.4 million or 18.1 % from 2016 which was Baht 14,854.2 million. This was decreased in proportion with the Sales and services revenues

Selling and administrative expenses in 2016 was Baht 2,871.7 million, decreased Baht 490.5 million or 14.6 %, from 2015 which was Baht 3,362.2 million. These were resulted from the decrease in storage expenses, export expenses and transportation expenses of sugar and bagasse bleached pulp

The loss on foreign exchange rate in 2016 was Baht 117.6 million, compared with 2015 which was Baht 172.9 million. Because Thai Baht against US dollars was weaker than forward rate that the company fixed with the Bank. The forward rate would be fixed in line with the execution of Thai Cane and Sugar Corporation which was used to calculate the cane price.

Financial cost in 2016 was Baht 317.0 million, decreased Baht 56.0 million or 15.0% from 2015 which was Baht 372.9 million, due to better financial management.

Anyway, from the above factors, Net loss in 2016 was Baht 512.5 million, decreased from 2015 which Net profit was Baht 729.9 million.

Income statements analysis

Income	2015 (million Baht)	2016 (million Baht)	Change (million Baht)	Change %
Revenue from the sales and services.	19,328.2	15,005.6	(4,322.6)	(22.4%)
Sugar business	15,340.6	11,336.0	(4,004.6)	(26.1%)
Revenue from sale of sugar	14,351.7	10,888.3	(3,463.4)	(24.1%)

Revenue from sale of molasses.	766.5	447.7	(318.8)	(41.6%)
Compensation for sugar production and distribution	222.4	-	(222.4)	(100%)
Subsidiaries business	3,987.6	3,669.6	(318.0)	(8.0%)
Revenue from sale of bagasse bleached pulp	1,305.5	896.1	(409.3)	(31.4%)
Revenue from sales of Ethanol	1,638.6	1,634.4	(4.2)	(0.3%)
Revenue from sales of electricity	538.3	699.6	161.2	30.0%
other	505.2	439.5	(65.8)	(13.0%)
Other income	115.7	81.0	(34.7)	(30.0%)
Total income	19,443.9	15,086.6	(4,357.3)	(22.4%)

Source: company financial information

▪ Total revenues

The company total revenues in 2016 was Baht 15,086.6 million, decreased 22.4 % from 2015 which was Baht 19,443.9 million. The details are as follows,

Sugar business.

Revenues from sugar business in year 2016 and 2015 were Baht 11,336.0 million and Baht 15,340.6 million, decreased 26.1% resulted from the following key factors:

- In 2016, both domestic and export sugar sales volume decreased 323,844.9 tons or 30.0% from 2015 due to the drought from El Niño effect and caused the reduction in quantity and quality of canes.
- Sugar average domestic selling price in 2016 was the same as 2015 which was under Government Control.
- Sugar average export selling price in 2016 was Baht 12,495.8 per ton increased 6.9% from Baht 11,690.3 per ton in 2015

The sugar price in commodity market (New York No.11) increased as a result of El Niño effect in 2016. At the same time, the world sugar production was less than consumption which resulted tight situation in the sugar stock of the World market.

- Molasses sale volume in 2016 was 108,493.4 tons decreased 40.3% from 2015 which was 181,703.4 tons.
- Molasses average selling price in 2016 was Baht 4,126.2 per tons, decreased 2.2 % from Baht 4,218.4 per ton in 2015.

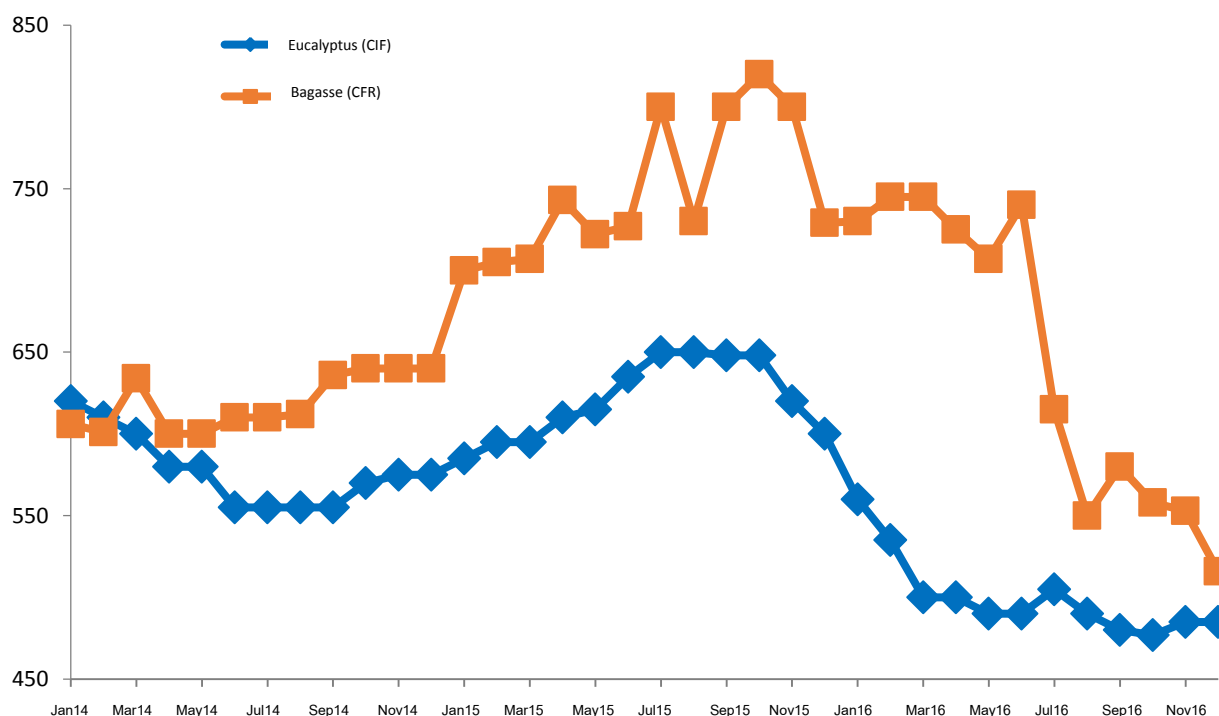
Subsidiaries business

Revenues from subsidiaries business in 2016 and 2015 were Baht 3,669.6 million decreased 8.0 % from 2015 which was Baht 3,987.6 million resulted from

1. Revenue from the sale of bagasse bleached pulp for the year 2016 was Baht 896.1 million decreased 31.4% from 2015 which was Baht 1,305.5 million, results as follows,

- Sales volume of bagasse bleached pulp in 2016 and 2015 were 40,985.3 tons and 63,745.7 tons respectively, down by 35.7 %. The domestic sale and export sale volumes decreased because the sluggish global economy caused the pulp users turned attention to price oriented than environment oriented.
- Average domestic selling prices for bagasse bleached pulp rose to baht 20,820.6 per ton in 2016 from baht 20,254.5 per ton in 2015 and average export selling prices turned higher to Baht 21,865.1 per ton in 2016 from Baht 20,479.4 per ton in 2015 as there were not so many manufacturers of bagasse bleached pulp in the World, so they could stipulate the selling price at a certain level.

Table: Average bagasse bleached pulp price in 3 years



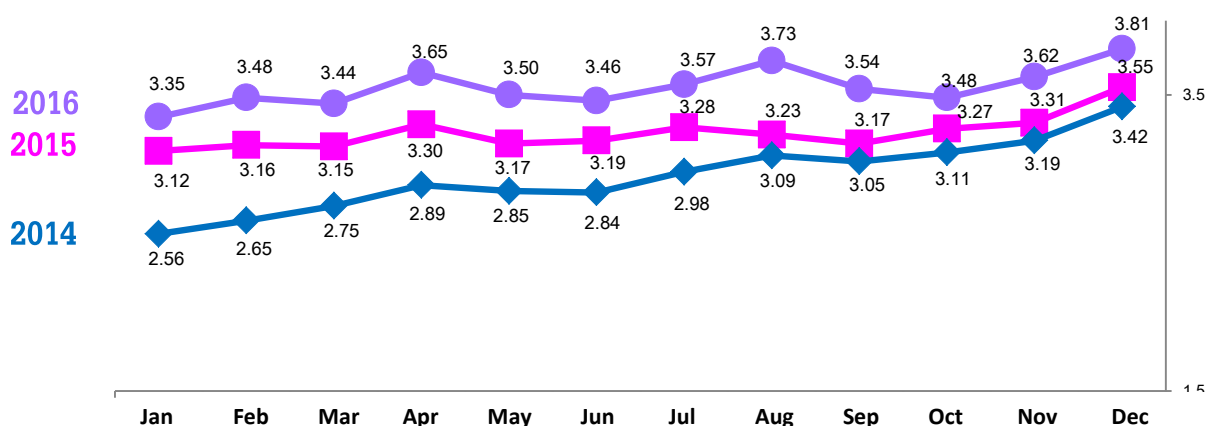
Source: RISI

2. Revenue from the sale of ethanol in 2016 and 2015 were Baht 1,634.4 million and Baht 1,638.6 million respectively, down 0.3 % because of the following factors.

- Sales volume of ethanol in 2016 and 2015 were 72.3 million liters and 66.6 million liters respectively, increased 8.5 % from rising domestic consumption.
- The average domestic selling price of ethanol in 2016 was Baht 22.60 per liter, down 8.1% from 2015 at Baht 24.59 per liter as affected by the fluctuation of world oil prices.

Table: Average consumption in 3 years

Million liters per day



Source: Ministry Of Energy

3. Revenue from electricity sales in 2016 and 2015 were Baht 699.6 million and Baht 538.3 million respectively, increased 30.0 % since longer electricity selling period of Kaset Thai Bio Power Co, Ltd. (KTBP) and the start of commercial electricity selling in Q2/2016 from Thai Ekaluck Power Co.,Ltd(TEP).

4.Revenues from other sales and services incomes in 2016 and 2015 were Baht 439.5 million and Baht 505.2 million respectively, down 13.0 %, mainly resulted from agricultural machinery services, fertilizers and insecticides to farmers were reduced.

Other income

Other income in 2016 was Baht 81.0million, decreased 30.0 % from Baht 115.7 million in 2015.

Cost of sales and services, and gross profit margin.

Cost of sales and services in 2016 was Baht 12,168.7 million, decreased 18.1 % from Baht 14,854.2 million in 2015 which was in line with the decrease in the revenues from sales and services.

Table: The comparison of 2015 and 2016 Cost of sales and services, and gross profit margin.

Income	2015 (million Baht)	2016 (million Baht)	Change (million Baht)	Change percent
Revenues from sales and services.	19,328.2	15,005.6	(4,322.6)	(22.4%)
Sugar business	15,340.6	11,336.0	(4,004.6)	(26.1%)
Subsidiaries business	3,987.6	3,669.6	(318.0)	(8.0%)
Cost of sales and services	14,854.2	12,168.7	(2,685.4)	(18.1%)
Sugar business	12,643.2	9,406.3	(3,236.9)	(25.6%)
Subsidiaries business	2,210.9	2,762.4	551.5	(24.9%)
Gross profit	4,474.1	2,836.9	(1,637.1)	(36.6%)
Sugar business	2,697.4	1,929.7	(767.7)	(28.5%)
Subsidiaries business	1,776.7	907.2	(869.5)	(48.9%)
Gross Profit margin	23.1%	18.9%		(4.2%)
Sugar business	17.6%	17.0%		(0.6%)
Subsidiaries business	44.6%	24.7%		(19.8%)

Source: Company financial information

Gross profit in 2016 was 18.9 % decreased from 2015 which was 23.1% because gross profit from both sugar and bio-business decreased.

Gross profit from sugar business decreased due to.

- Sales volume of domestic and export sugar in 2016 was 756,220.8 tons decreased from 2015 which was 1,080,065.7 tons.
- Sales volume of molasses in 2016 was 108,493.4 tons decreased from 2015 which was 181,703.4 tons
- Average selling price of molasses in 2016 Baht 4,126.2 per ton, decreased from Baht 4,218.4 per ton in 2015.

Gross profit from bio business decreased from.

- Sales volume of domestic and export bagasse bleached pulp in 2016 was 40,985.3 tons decreased from 2015 which was 58,745.7 tons.

- Average selling price of ethanol in 2016 was Baht 22.60 per liter, decreased from Baht 24.59 per liter in 2015.
- Average selling price of electricity in 2016 was Baht 3.08 per unit decreased from Baht 3.34 per unit in 2015 due to Float Time (FT) value was negative value compared to positive value in previous year.

Selling and administrative expenses

Selling and administrative expenses in 2016 was Baht 2,871.7 million decreased 14.6% from 2015 which was Baht 3,362.2 million as the sale volumes from both sugar business and bagasse bleached pulp business were reduced and resulted in lower expenses in warehouse expenses, export expenses, and transportation expenses (low fuel oil price too).

Profit (loss) on exchange rate

Loss on exchange rate in 2016 was Baht 117.6 million, compared with Loss Baht 172.9 million in 2015. The value of the Baht against the US dollar was weaker than the forward rate fixed by the company on foreign sales to prevent the risk of exchange rate fluctuations. The forward rate would be fixed in line with the execution of Thai Cane and Sugar Corporation which was used to calculate the cane price.

The financial cost.

Finance costs in 2016 was Baht 317.0 million decreased Baht 56.0 million or 15 % from 2015 which was Baht 372.9 million due to better financial management of the Company.

Net profit and net profit margin

In 2016 Net loss was Baht 512.5 million compared to 2015 which Net profit was at Baht 729.9 million. The net profit margin in 2016 and 2015 was -3.4 % and 3.75 % respectively.

Analysis of the financial position(Consolidated)

Assets

As at 31 December 2016, Total assets was Baht 16,052.3 million, decreased 14.6 % from 2015 which was Baht 18,793.2 million.

- As at 31 December 2016, Current assets was Baht 4,217.7 million, decreased 24.4% from 2015 which was Baht 5,578.0 million. The main reasons were:
 - Cash and Cash Equivalents decreased Baht 7.3 million.
 - Trade and Other receivables, net decreased to Baht 486.7 million, and Farmer receivables increased Baht 124.6 million.
 - Trade and Other receivables net decreased from Baht 1,175.6 million to Baht 688.9 million.
 - Average Receivables Collection period in 2016 was 22.68 days compared to 2015 which was 24.76 days
 - Inventories, net decreased Baht 1,053.5 million.
- Non-current assets as at 31 December 2016 was Baht 11,834.6 million, decreased 10.4.% from 2015 which was Baht 13,215.2 million. The main reasons were
 - Other Receivable - Office of the Cane and Sugar Fund decreased Baht 798.1 million which was paid to the Company by Office of the Cane and Sugar Fund as the compensation for sugar production and distribution.
 - Property, plant and equipment, net decreased Baht 494.6 million as depreciation expenses.

Liabilities

As at 31 December 2016, total liabilities was Baht 8,230.8 million, decreased 18.5 % from 2015 which was Baht 10,100.8 million.

- Current liabilities as at 31 December 2016 was Baht 3,642.9 million decreased 26.4 % from 2015 which was Baht 4,948.9 million. The main reasons were
 - Short-term borrowings from financial institutions decreased Baht 855.5 million.
 - Trade and other payables decreased Baht 313.4 million.
 - Current portion of long term borrowings decreased Baht 128.3 million.
- Non-current liabilities as at 31 December 2016 was Baht 4,587.9 million, decreased 10.9 % from 2015 which was Baht 5,151.9 million as repayment of long-term loans to financial institutions.

Shareholders' equity

As at 31 December 2016, Shareholders' equity was Baht 7,821.5 million, decreased 10.0 % from 2015, which was Baht 8,692.5 million as a result from net loss from operation and dividend payment in 2016

The liquidity and adequacy of funds

The company has developed the relation and cooperation with many financial institutions into strategic partners for business supporting and growing. In the past period, the Company and financial institutions cooperated jointly for the development of financial products and services, such as Integrated Cash Management services, Electronic Discounted Checks etc. The Company obtains confidence and good financial liquidity from our financial institutions for business operation and future project investments.

For the financial markets, the Company gets the financial instrument by issuing Time Bill of Exchange (B/E) 270 days in Thai Baht with specified payee, the total amount not exceeding Baht 5,000 million at any time. Once the B/E is paid, the Company may offer to issue again within Baht 5,000 million. The prospectus to issue such security has to be renewed annually and the existing prospectus will be expired by April 19, 2017.

The company has sufficient working capital to pay for short term B/E and conducts the risk policies and measurements to deal with the liquidity risk and also gets well financial trusts from institutional investors and major specified investors (High Net Worth).

Cash flows from operating activities

In 2016, Loss before income tax expense was Baht 388.3 million, Depreciation and amortization was Baht 1,142.3 million and other adjustments. Cash flows before changes in operating Assets and Liabilities was Baht 957.2 million.

After Changes in operating Assets and Liabilities, Interest paid and Income Tax paid, the Net Cash flows generated from operating activities was Baht 2,661.4 million which was used in investing activities Baht 600.1 million and paid for short term and long term debts in financing activities Baht 2,068.7 million. So the Cash and Cash equivalents decreased Baht 7.3 million.

The beginning Cash and Cash equivalents was Baht 346.7 million and the Cash and Cash equivalents at the end of the year was Baht 339.4 million.

Financial liquidity

According to the consolidated financial statements as at 31 December 2016, Liquidity ratio was 1.16 times, an increase from previous year which was 1.13 times. And Quick ratio was 0.28 times closed to previous year.

The Company and financial situations cooperated to develop Integrated Cash management system in order that the daily excess cash will be paid automatically to repay bank credit. In case of cash requirement, the Company could get cash from Bank overdraft automatically.. Such system saves the financial cost. At the same time, we also get alternative working capitals from financial markets by issuing short term Bills of Exchange. These ensure strong financial liquidity of the Company with reasonable financial costs and increase the potentials in business competition.

Capital Structure, Sources and Uses of Funds

The Company has the policy for suitable Capital Structure in order to support the operations and increase the share value of its shareholder upon financial risk protections.

In 2016, the company restructured the financial loans between short term loans and long term loans as a whole in order to increase liquidity radio and reduce financial cost by applying for the long term loan Baht 4,000 million to reduce short term debts of the Company and increase the registered capital in subsidiary companies for their financial liquidity and reduced high financial cost loans. The interest rate of this long term loan was fixed rate instead of floating rate so that the interest rate risk was managed and financial cost could be controlled.

Debt to equity ratio was 1.05 times compared to 2015 which was 1.16 times. The ratio did not pose a significant risk to the company. The Company could increase financial leverage for operation and future investment opportunity.

Investing and Financing activities

In 2015, the Company invested in two 50 MWH Bio electricity projects and Liquid Sucrose and Super refined sugar project according to the objectives in Initial Public Offering (IPO). The amount invested in these projects was Baht 2,386.2 million. In 2016 the investing activities was Baht 600.1 million lower than last year.

Factors or events that will affect the financial position or operations in the future

The uncertainty in the global economic recovery still exists, especially the political stability of the United States, interest rate policy of the Central Bank of United States, the default of loan payments in European countries, the membership withdrawal consideration from EU of its members, Japan economic recovery situation, and also China economic growth questions.

While Thailand still has a strong International Reserves with continuous good Trade Balance and Current Account Balances as well as large-scale public investment policies, so in 2016 the country economy will be in good direction upon the awareness of external factors.

The risk management committee has conducted a review of the risk policy and follow-up risk assessments on a regular basis to ensure that the implementation of the risk management on overall activities are controlled to the appropriate and acceptable level as defined in the section risk factors.