

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, 2016.
Sumalee Reewarabandith
Certified Public Accountant (Thailand) No. 3970
EY Office Ltd.

Financial Statements as at 31 December, 2017.
Sumalee Reewarabandith
Certified Public Accountant (Thailand) No. 3970
EY Office Ltd.

Financial Statements as at 30 September, 2018.
Vilailak Laohasrisakul
Certified Public Accountant (Thailand) No. 6140
EY Office Ltd.

2. Auditor's Reports for three years.

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.

Auditor's opinion for financial statements as at 31 December 2017

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 2017, 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 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Auditor's opinion for financial statements as at 30 September 2018

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 30 September 2018, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the period from 1 January 2018 to 30 September 2018, 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 30 September 2018, their financial performance and cash flows for the period from 1 January 2018 to 30 September 2018 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					
	31-Dec-16 Consolidated		31-Dec-17 Consolidated		30-Sep-18 Consolidated	
	Million Baht	Percentage ¹	Million Baht	Percentage ¹	Million Baht	Percentage ¹
Current assets						
Cash and cash equivalents	339.43	2.11	329.66	1.85	300.87	1.73
Trade and other receivables	688.9	4.29	596.86	3.35	1,014.55	5.84
Planter receivables	555.99	3.46	563.82	3.16	574.82	3.31
Inventories	1,861.17	11.59	4,047.46	22.72	3,191.03	18.38
Biological assets	29.65	0.18	27.49	0.15	57.85	0.33
Factory overhaul costs	645.68	4.02	602.89	3.38	558.53	3.22
Amounts due from the Office of the Cane and Sugar Fund - net of current portion	-	-	-	-	1,169.11	6.74
Other current assets	96.87	0.6	32.69	0.18	101.60	0.59
Total current assets	4,217.68	26.27	6,200.87	34.8	6,968.39	40.14
Non-current assets						
Other long-term investments	0.39	0	0.39	0	0.26	0.00
Amounts due from the Office of the Cane and Sugar Fund	-	-	-	-	472.15	2.72
Investment properties	328.71	2.05	321.05	1.8	322.32	1.86
Property, plant and equipment	10,851.09	67.6	10,513.94	59.01	9,941.64	57.27
Intangible assets	296.79	1.85	284.19	1.6	271.75	1.57
Deferred tax assets	187.91	1.17	297.79	1.67	206.91	1.19
Other non-current assets	169.74	1.06	197.89	1.11	175.00	1.01
Total non-current assets	11,834.64	73.73	11,615.26	65.2	11,390.03	65.62
Total assets	16,052.32	100	17,816.13	100	17,358.42	100.00

Remark 1-Percentage of Total Assets

Financial Statement (Continued)

	For the year end					
	31-Dec-16 Consolidated		31-Dec-17 Consolidated		30-Sep-18 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	1,066.54	6.64	2,365.60	13.28	3,560.51	19.39
Trade and other payables	1,894.59	11.80	2,440.39	13.70	1,377.88	7.51
Short-term loans from the Office of the Cane and Sugar Fund	-	-	-	-	268.49	1.46
Current portion of liabilities under finance lease agreements	7.04	0.04	7.82	0.04	8.68	0.05
Current portion of long-term loans from financial institutions	503.60	3.14	498.35	2.80	848.57	4.62
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	63.29	0.39	121.60	0.68	94.94	0.52
Income tax payable	35.54	0.22	61.81	0.35	63.95	0.35
Other current liabilities	67.45	0.42	83.43	0.47	85.92	0.47
Total current liabilities	3,642.92	22.69	5,583.86	31.34	6,313.79	34.39
Non-current liabilities						
Liabilities under finance lease agreements - net of current portion	798.92	4.98	791.1	4.44	782.42	4.26
Long-term loans from financial institutions - net of current portion	2,745.27	17.1	2,246.91	12.61	2,097.47	11.43
Long-term loans from related party - net of current portion	77.60	0.48	72.75	0.41	67.90	0.37
Long-term loans from the Office of the Cane and Sugar Fund - net of current portion	82.71	0.52	108.20	0.61	20.95	0.11
Provision for long-term employee benefits	295.09	1.84	333.16	1.87	342.86	1.87
Provision for decommissioning costs	19.98	0.12	29.36	0.16	30.16	0.16
Other non-current liabilities	568.32	3.54	538.64	3.02	508.86	2.77
Total non-current liabilities	4,587.89	28.58	4,120.12	23.13	3,850.63	20.97
Total liabilities	8,230.80	51.27	9,703.98	54.47	10,164.42	55.37

Remark 1 - Percentage of total liabilities and shareholders' equity

Financial Statement (Continued)

	For the year end					
	31-Dec-16 Consolidated		31-Dec-17 Consolidated		30-Sep-18 Consolidated	
	Million Baht	Percentage ¹	Million Baht	Percentage ¹	Million Baht	Percentage ¹
Shareholders' equity						
Share capital						
Registered						
3,888,000,010 ordinary shares of Baht 1 each	3,888.00	24.22	3,888.00	21.82	3,888.00	21.18
Issued and fully paid up						
3,860,000,010 ordinary shares of Baht 1 each	3,860.00	24.05	3,860.00	21.67	3,860.00	21.03
Share premium	5,202.88	32.41	5,202.88	29.20	5,202.88	28.34
Capital deficit from business combination under common control	(3,577.17)	(22.28)	(3,577.17)	(20.08)	(3,577.17)	(19.49)
Capital surplus on share-based payment	92.69	0.58	137.17	0.77	170.54	0.93
Retained earnings						
Appropriated - statutory reserve	256.44	1.60	289.75	1.63	305.53	1.66
Unappropriated	1,986.67	12.38	2,199.51	12.35	2,232.21	12.16
Total shareholders' equity	7,821.51	48.73	8,112.14	45.53	8,193.99	44.63
Total liabilities and shareholders' equity	16,052.32	100.00	17,816.12	100.00	18,358.42	100.00

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

Financial Statement (Continued)

	For the year end					
	31-Dec-16 Consolidated		31-Dec-17 Consolidated		30-Sep-18 Consolidated	
	Million Baht	Percentage ¹	Million Baht	Percentage ¹	Million Baht	Percentage ¹
Sales and services income	15,005.63	100	17,524.64	100	17,305.67	100.00
Cost of sales and services	12,168.71	81.09	14,270.95	81.43	14,423.06	83.34
Gross Profit	2,836.92	18.91	3,253.69	18.57	2,882.61	16.66
Other income	80.96	0.54	668.39	3.81	289.32	1.67
Selling expenses	1,583.39	10.55	1,493.76	8.52	1,249.07	7.22
Administrative expenses	1,288.28	8.59	1,448.21	8.26	1,289.58	7.45
Loss on exchange	117.55	145.2	-	-	-	-
Finance cost	316.96	2.11	332.93	1.9	262.45	1.52
Profit (loss) before income tax expenses	(388.3)	(2.59)	647.17	3.69	842.98	4.87
Income tax benefits (expenses)	(124.23)	(0.83)	(1.68)	(0.01)	(213.71)	(1.23)
Profit (loss) for the year	(512.53)	(3.42)	645.49	3.68	629.27	3.64
Earnings per share						
Basic earnings (loss) per share	(0.13)		0.17		0.16	

Remark 1- Percentage of revenue from sales to service.

Cash flows

	For the year end		
	31-Dec-16	31-Dec-17	30-Sep-18
	Consolidated	Consolidated	Consolidated
Cash flows from operating activities			
Profit (loss) before tax	(388.30)	647.17	842.98
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:			
Depreciation and amortisation	1,142.27	1,269.22	964.82
Gain on realised discount from transferring right of planter receivables	(14.15)	(5.71)	(5.90)
Allowance for doubtful accounts	20.04	58.94	85.96
Reduction cost of inventory to net realisable value (reversal)	(176.18)	461.43	(242.53)
Loss (Gain) arising from change in fair value of biological assets	(4.23)	(3.51)	(10.53)
Unrealised loss on exchange	1.27	(5.97)	(0.18)
Loss on dissolution of company which classify as other long-term investment	-	-	0.10
Loss on impairment of investment properties (reversal)	(1.28)	7.8	1.29
Loss on impairment of property plant and equipment	31.57	9.28	8.21
Loss on sales of investment properties	0.20	-	-
Gain on sales of plant and equipment	(15.39)	(11.01)	(4.52)
Loss on write-off of equipment	0.24	0.01	0.01
Long-term employee benefits expenses	21.03	29.5	18.79
Share-based payment	44.49	44.49	33.37
Interest income	(21.36)	(35.65)	(30.71)
Interest expense	316.96	332.93	262.45
Profit (loss) from operating activities before changes in operating assets and liabilities	957.18	2,798.90	1,923.61

Cash flows (Continued)

	For the year end		
	31-Dec-16	31-Dec-17	30-Sep-18
	Consolidated	Consolidated	Consolidated
Profit (loss) from operating activities before changes in operating assets and liabilities	957.18	2,798.90	1,923.61
Trade and other receivables	486.60	91.97	(418.85)
Planter receivables	(131.76)	(88.57)	(102.70)
Inventories	1,229.64	(2,647.72)	1,098.96
Biological assets	(8.89)	5.67	(19.84)
Other current assets	798.05	-	(1,641.26)
Amounts due from the Office of the Cane and Sugar Fund	(48.32)	107.89	(24.58)
Other non-current assets	35.01	(28.15)	27.32
Trade and other payables	(344.90)	612.51	(1,067.08)
Other current liabilities	(53.86)	15.95	2.44
Cash paid for long-term employee benefits	(8.01)	(8.11)	(11.32)
Cash flows from operating activities	2,910.74	860.35	(233.30)
Cash paid for interest expenses	(217.43)	(262.91)	(190.66)
Cash paid for income tax	(31.89)	(82.88)	(124.68)
Net cash flows from operating activities	2,661.42	514.57	(548.63)

Cash flows (Continued)

	For the year end		
	31-Dec-16	31-Dec-17	30-Sep-18
	Consolidated	Consolidated	Consolidated
Cash flows from investing activities			
Cash received from dissolution of company which classify as other long-term investment	-	-	0.03
Acquisition of property, plant and equipment	(506.25)	(847.35)	(312.62)
Capitalised interest of plant and equipment	(24.57)	(3.46)	-
Proceed from sales of equipment	16.99	45.68	5.75
Cash paid for payable from purchases of property, plant and equipment	(98.54)	(131.41)	(70.24)
Acquisition of intangible assets	(5.89)	(6.61)	(0.09)
Acquisition of investment properties	(3.26)	-	-
Proceed from sales of investment properties	0.10	-	-
Interest income	21.37	35.66	30.64
Net cash flows from (used in) investing activities	(600.06)	(907.48)	(346.53)

Cash flows (Continued)

	For the year end		
	31-Dec-16	31-Dec-17	30-Sep-18
	Consolidated	Consolidated	Consolidated
Cash flows from financing activities			
Increase(Decrease) in bank overdrafts and short-term loans from financial institutions	(891.57)	1,294.56	1,194.91
Increase in short-term loans from the Office of the Cane and Sugar Fund	-	-	268.48
Decrease in long-term loans from financial institutions	(634.05)	(505.52)	199.52
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	(56.56)	80.62	(117.05)
Payment of liabilities under finance lease agreements	(95.70)	(95.70)	(95.70)
Dividend paid	(385.92)	(385.97)	(578.95)
Net cash flows from (used in) financing activities	(2,068.66)	383.15	866.37
Net increase (decrease) in cash and cash equivalents	(7.30)	(9.76)	(28.79)
Cash and cash equivalents at beginning of year	346.73	339.43	329.66
Cash and cash equivalents at end of year	339.43	329.66	300.87

Financial Ratios

		Unit	For the year end		
			31-Dec-16	31-Dec-17	30-Sep-18
			Consolidated	Consolidated	Consolidated
Liquidity Ratio					
	Current Ratio	Times	1.16	1.11	1.10
	Quick ratio	Times	0.28	0.17	0.21
	Operating Cash Flow Ratio	Times	0.62	0.11	-0.09
	Accounts receivable turnover ratio	Times	16.10	27.26	21.48
	Average Collection Period	Days	22.68	13.39	16.99
	Inventory Turnover	Times	5.10	4.83	3.99
	Average Sale (Inventory) Period	Days	71.62	75.56	91.59
	Account Payable Turnover	Times	5.93	6.58	7.55
	Average Payment Period	Days	61.53	55.44	48.31
	Cash Cycle	Days	32.77	33.51	60.27
Profitability Ratio					
	Gross Profit Margin	%	18.91	18.57	16.66
	Operating Profit Margin	%	-1.01	1.78	4.72
	Net Profit Margin	%	-3.42	3.68	3.64
	Return on Equity	%	-6.21	8.10	7.72

Financial Ratios (Continued)

	Unit	For the year end		
		31-Dec-16	31-Dec-17	30-Sep-18
		Consolidated	Consolidated	Consolidated
Efficiency Ratio				
Return on Asset	%	-0.41	5.79	6.29
Return on Fixed Assets	%	-0.64	9.17	10.81
Total Asset Turnover	Times	0.87	1.07	1.00
Fixed Asset Turnover	Times	1.36	1.70	1.72
Financial Policy Ratio				
D/E Ratio	Times	1.05	1.20	1.24
Interest Coverage Ratio	Times	-0.23	2.94	4.21
Dividend Payout 3	%	N/A	89.70	92.01

Remark The formula used by SET

14. Management Discussion and Analysis
Business performance summary in 2018

Total revenue consists of sales and services revenues and other income. The Company and its subsidiaries' total revenues in 2018 (9 months) was Baht 18,067.1 million while in 2017 (12 months) was Baht 18,193.0 million.

Sales and services revenues in 2018 (9 months) was Baht 17,305.7 million, decreased Baht 219.0 million or 1.2% from Baht 17,524.6 million in 2017 (12 months) as revenue from sugar business, bagasse pulp business and ethanol business decreased despite that cane volume in 2018 increased higher than 2017. Details were as follows;

Production year		2016/2017	2017/2018	
Thailand	Sugar cane volume	93.0	134.9	Million tons
	Sugar	100.3	147.1	Million bags (100 kg per bag)
	Molasses	3.9	5.5	Million tons
The Company	Sugar cane volume	8.7	11.6	Million tons
	Sugar	9.4	11.9	Million bags (100 kg per bag)
	Molasses	0.4	0.5	Million tons

Source: Office of the Cane and Sugar Board.

- In 2018 (9 months), Revenues from sugar business reduced 3.3% as the domestic sale volumes reduced and domestic price and export price decreased.
- In 2018 (9 months), Revenues from bagasse bleached pulp reduced 3.5% as the sale volumes was lower while the average price increased both domestic sale and export sale.
- In 2018 (9 months), Revenues from ethanol business reduced 20.6% as the sale volumes and price decreased.
- In 2018 (9 months), Revenues from electricity increased 93.8% as sales from 3 factories were higher and price also increased.
- In 2018 (9 months), Other Revenues increased 12.7% as income from agricultural equipment services, soil conditioning products, insecticides and others increased.

Compensation for the production and distribution of sugar in 2018 of Baht 472.2 million, it was the amount that the Company would be reimbursed from the Cane and Sugar Fund, since the final sugar cane price and the final compensation for the production and distribution of sugar for the 2017/2018 crushing season were lower than the initial sugar cane price. In accordance with Section 56 of the Cane and Sugar Act B.E. 2527, the Cane and Sugar Fund has to compensate the sugar mills such disparity whereas cane farmers need not have to refund the overpaid sugar cane price.

Other income included of Interest Received, Gain on Foreign Exchange Rate, and Gain on Sugar futures Contracts as follows,

- Interest Received in 2018 (9months) was Baht 30.7 million reduced Baht 4.9 million or 13.9% lower than 2017.
- Gain on foreign exchange rate in 2018 (9 months) was Baht 50.3 million, compared with gain on foreign exchange rate from Baht 32.9 million in 2017 (12 months)
- Gain on sugar futures contracts in 2018 (9 months) decreased Baht 235.5 million or 71.8% from 2017 (12 months), as a result of decreasing in world sugar selling prices.

Cost of sales and services in 2018 (9 months) was Baht 14,423.1 million increased Baht 152.1 million or 1.1% from 2017 (12 months) due to higher sales volume.

Selling and administrative expenses in 2018 (9months) was Baht 2,538.7 million reduced Baht 403.3 million or 13.7% from 2017 (12 months), due to much lower amount of special tax on the domestic sugar sales delivered to the Cane and Sugar Fund.

Financial costs in 2018 (9 months) was Baht 262.4 million, reduced Baht 70.5 million or 21.2% from 2017 (12 months) due to efficiencies of financial management.

Income tax benefits in 2018 (9 months) was Baht 213.7 million in 2018, compared with 2017 (12 months) of Baht 1.7 million as deferred tax decreased.

From the above factors, in 2018 (9 months) the Company Net Profit was Baht 629.3 million reduced 2.5% from 2017 (12 months) which Net Profit was Baht 645.5 million.

Income statements analysis

Income	2017 (12 months) (million Baht)	2018 (9 months) (million Baht)	Change (million Baht)	Change %
Revenue from the sales and services.	17,524.6	17,305.7	(219.0)	(1.2%)
Sugar business	13,504.6	13,056.9	(447.8)	(3.3%)
Revenue from sale of sugar	13,062.1	12,219.0	(843.1)	(6.5%)
Revenue from sale of molasses.	442.6	837.9	395.3	89.3%
Subsidiaries business	4,020.0	4,248.8	228.8	5.7%
Revenue from sale of bagasse bleached pulp	1,260.8	1,216.6	(44.1)	(3.5%)
Revenue from sales of Ethanol	1,654.2	1,313.4	(340.7)	(20.6%)
Revenue from sales of electricity	583.7	1,131.2	547.5	93.8%
other	521.4	587.5	66.1	12.7%
Compensation for sugar production and distribution	-	472.2	472.2	
Other income	668.4	289.3	(379.1)	(56.7%)
Total income	18,193.0	18,067.1	(125.9)	(0.7%)

Source: company financial information

▪ **Total revenues**

In 2018 (9 months) Total revenues was Baht 18,067.1 million reduced 0.7% from Baht 18,193.0 million in 2017 (12 months). Details are as follows,

Sugar business

Revenues from sugar business in year 2018 (9 months) and 2017 (12 months) were Baht 13,056.9 million and Baht 13,504.6 million respectively, reduced 3.3 % resulted from the following key factors:

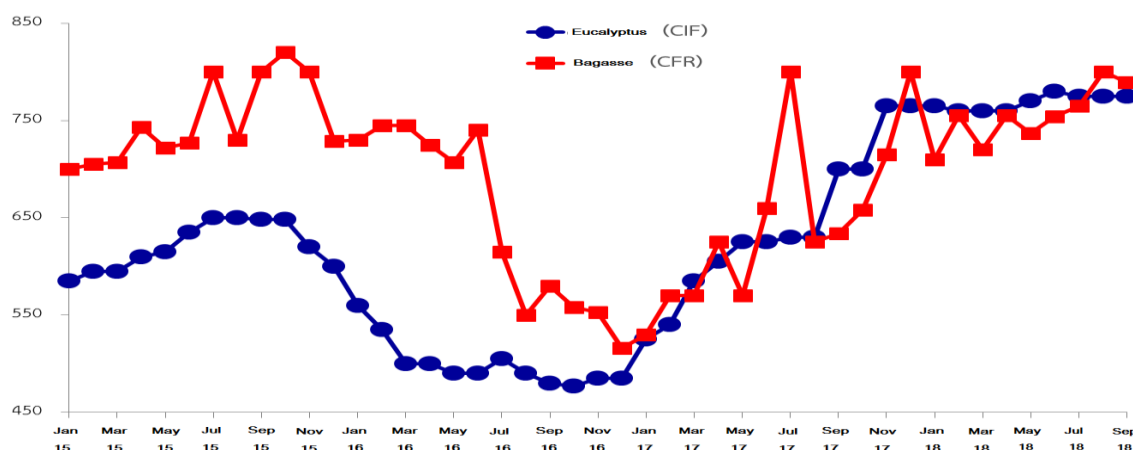
- In 2018 (9 months), domestic sale volume was 193,952.7 tons reduced 26.9% from 2017 (12 months) while export sale volume in 2018 (9 months) increased 62.5% from 2017 (12 months).
- Average domestic selling price in 2018 (9 months) was Baht 17,625.1 per ton decreased 10.3% from 2017 (12 months) resulted from the floated price since beginning of 2018.
- Average export selling price in 2018 (9 months) was Baht 10,604.1 per ton decreased 30.9% from 2017 resulted from world sugar price decreased since midst 2018.
- Molasses sale volume in 2018 (9 months) was 240,231.5 tons increased 155.8% from 2017 due to KTIS subsidiary company used some raw sugar as raw material to produce ethanol so that the usage of molasses reduced and sold more in the market.
- Average molasses selling price in 2018 (9 months) was Baht 3,487.9 per tons, decreased 26.0 % from 2017 due to higher competition from lots of supply.

Subsidiaries business

Revenues from subsidiaries business in 2018 (9 months) was 4,248.8 million increased 5.7 % from Baht 4,020 million in 2017 (12 months) as follows:

1. Revenue from electricity sale in 2018 (9 months) and 2017 (12 months) were Baht 1,131.2million and Baht 583.7 million respectively, increased 93.8% due to higher sale volume from 3 electricity factories and average selling price was Baht 3.05 per unit increased 3.3% from 2.96 Baht per unit in 2017 (12 months).
2. Revenue from the sale of bagasse bleached pulp for the year 2018 (9 months) was Baht 1,216.6 million reduced 3.5% from Baht 1,260.8 million in 2017 (12 months) resulted from

- Sales volume of bagasse bleached pulp in 2018 (9 months) and 2017 (12 months) were 53,006.6 tons and 63,497.2 tons respectively, reduced 16.5 % due to domestic sale and export sale volume reduced.
- Average domestic selling prices for bagasse bleached pulp increased to Baht 22,623.2 per ton in 2018 (9 months) from Baht 19,720.1 per ton in 2017 (12 months) and average export selling prices increased to Baht 23,023.7 per ton in 2018 (9 months) from Baht 19,890.7 per ton in 2017 (12 months) as the environmental trend returned and customers used more friendly eco products so that the demand for bagasse pulp increased.

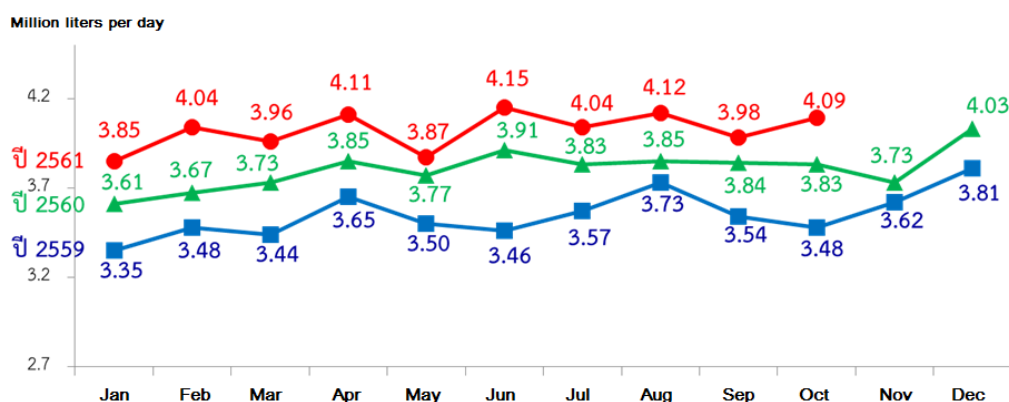
Table: Average bagasse bleached pulp price in 3 years


Source: RISI and Company

3. Revenue from ethanol sale in 2018 (9 months) and 2017 (12 months) were Baht 1,313.4 million and Baht 1,654.2 million respectively, reduced 20.6% resulted from

- Sales volume of ethanol in 2018 (9 months) and 2017 (12 months) were 56.3 million liters and 65.6 million liters respectively, reduced 14.2% as the domestic consumption did not increase much but the ethanol production from molasses and cassava highly increased.

- The average domestic selling price of ethanol in 2018 (9 months) was Baht 23.34 per liter, decreased 7.5 % from Baht 25.22 per liter in 2017 (12 months) due to higher price competition from domestic ethanol sale as fuel and world oil price decreased.

Table: Average consumption in 3 years


Source: Ministry Of Energy

4. Revenues from other sales and services in 2018 (9 months) and 2017 (12 months) were Baht 587.5 million and Baht 521.4 million respectively, increased 12.7% resulted from the increase in agricultural equipment services, fertilizers, bio conditioning products, and insecticides and other.

Compensation for the production and distribution of sugar

In 2018 Compensation for the production and distribution of sugar was Baht 472.2 million, it was the amount that the Company would be reimbursed from the Cane and Sugar Fund, since the final sugar cane price and the final compensation for the production and distribution of sugar for the 2017/2018 crushing season were lower than the initial sugar cane price. In accordance with Section 56 of the Cane and Sugar Act B.E. 2527, the Cane and Sugar Fund has to compensate the sugar mills such disparity whereas cane farmers need not have to refund the overpaid sugar cane price

Other income

- Interest Received in 2018 (9months) and in 2017 (12 months) were Baht 30.7 million and Baht 35.7 million respectively.
- Gain on foreign exchange rate in 2018 (9 months) was Baht 50.3 million, compared with gain on foreign exchange rate in 2017 (12 months) of Baht 32.9 million
- Gain on sugar futures contracts in 2018 (9 months) was Baht 92.5 million decreased 71.8%, from 2017 (12 months) due to the world sugar price decreased.
- Other Income in 2018 (9 months) was Baht 115.8 million reduced 57.4% from Baht 271.8 million in 2017 (12 months) as there was not revenue from cancellation of sugar export contracts.

Cost of sales and services, and gross profit margin.

Cost of sales and services in 2018 (9 months) was Baht 14,423.1 million, increased 1.1 % from Baht 14,271.0 million in 2017 (12 months) which was in line with increase in Revenues from sales and services.

Table: The comparison of 2017 and 2018 Cost of sales and services, and gross profit margin.

Income	2017 (12months) (million Baht)	2018 (9months) (million Baht)	Change (million Baht)	Change percent
Revenues from sales and services.	17,524.6	17,305.7	219.0	(1.2%)
Sugar business	13,504.6	13,056.9	(447.8)	(3.3%)
Subsidiaries business	4,020.0	4,248.8	228.8	5.7%
Cost of sales and services	14,271.0	14,423.1	152.1	1.1%
Sugar business	11,320.4	11,857.2	536.9	4.7%
Subsidiaries business	2,950.6	2,565.9	(384.7)	(13.0%)
Gross profit	3,253.7	3,354.8	101.1	3.1%
Sugar business	2,184.3	1,671.8	(512.5)	(23.5%)
Subsidiaries business	1,069.4	1,682.9	613.5	57.4%
Gross Profit margin	18.6%	18.9%		0.3%
Sugar business	16.2%	12.4%		(3.8%)
Subsidiaries business	26.6%	39.6%		13.0%

Source: Company financial information

Total Gross profit in 2018 (9 months) was Baht 3,354.8 million increased 0.3% from Baht 3,253.7 million in 2017 (12 months) due to Gross Profit from subsidiaries business increased despite Gross Profit from Sugar business reduced.

Gross profit from subsidiaries business increased from

- Electricity sale volume in 2018 (9 months) was 370,290,600 unit increased 87.7% from 197,293,200 unit in 2017 (12 months) and average selling price increased to be Baht 3.05 per unit from Baht 2.96 per unit from previous year.
- The price of bagasse bleached pulp in 2018 (9 months) was Baht 22,952.4 per ton increased 15.6% from Baht 19,855.4 per ton in 2017 (12 months) while the sale volume of bleached pulp in 2018 (9 months) was 53,006.6 tons reduced 16.5% from 63,497.2 tons in 2017 (12 months).

Gross profit from sugar business decreased from

- Domestic sale volume (excluded raw sugar) in 2018 (9 months) was 122,058.8 tons reduced 0.3% from 185,317.6 tons in 2017 (12 months)
- Average sale price both domestic and export in 2018 (9 months) decreased. The domestic sale price (excluded raw sugar) was Baht 17,625.1 per ton decreased 10.3% from Baht 19,640.3 per ton in 2017 (12 months) and export sale price was Baht 10,604.1 per ton decreased 30.9% from Baht 15,355.9 per ton in 2017 (12 months).

Selling and administrative expenses

Selling and administrative expenses in 2018 (9 months) was Baht 2,538.7 million, reduced 13.7% from Baht 2,942.0 million in 2017 (12 months) resulted from amount paid to Cane and Sugar Fund reduced.

The financial cost.

Finance costs in 2018 (9 months) was Baht 262.4 million reduced Baht 70.5 Baht 1.7 million or 21.2% from Baht 332.9 million in 2017 (12 months).

Income Tax Benefits (expenses)

Income Tax Benefits in 2018 (9 months) was Baht 213.7 million while in 2017 (12 months) was Baht 1.7 due to income tax expenses increased and benefits from deferred tax decreased.

Net profit and net profit margin

In 2018 (9 months) Net profit was Baht 629.3 million compared to 2017 (12 months) which Net profit was Baht 645.5 million. The net profit margin in 2018 (9months) and 2017 (12 months) was 3.54 % and 3.68% respectively.

Analysis of the financial position(Consolidated)

Assets

As at 30 September 2018, Total assets was Baht 18,358.4 million, increased 3.0 % from Baht 17,816.1 million in 2017.

- Current assets as at 30 September 2018 was Baht 6,968.4 million, increased Baht 767.5 million or 12.4 % from Baht 6,200.9 million in 2017. The main reason was
 - Account Receivable – Cane and Sugar Fund amounted to Baht 1,169 million which would be paid in one year
 - Trade and Other Receivables increased Baht 417.7 million.
- Non-current assets as at 30 September 2018 was Baht 11,390.0 million, decreased Baht 225.2 million or 1.90% from Baht 11,615.3 million in 2017. The main reasons was
 - Property, plant and equipment, net decreased Baht 572.3 million(details in Notes to Financial Statements item 16)

Liabilities

As at 30 September 2018, total liabilities was Baht 10,164.4 million, increased 4.7 % from Baht 9,704.0 million in 2017.

- Current liabilities as at 30 September 2018 was Baht 6,313.8 million increased Baht 729.9 million or 13.1 % from Baht 5,583.9 million in 2017. The main reasons were
 - OD and Short-term borrowings from financial institutions increased Baht 1,194.9 million.
 - Current portion of long term borrowings increased Baht 350.2 million.
 - Short Term Borrowing from Cane and Sugar Fund increased 268.5 million.
 - Trade and other payables decreased Baht 1,062.5 million.
- Non-current liabilities as at 30 September 2018 was Baht 3,850.6 million, decreased Baht 269.5 million or 6.5% from Baht 4,120.1 million in 2017 due to repayment of long-term loans to financial institutions and long term borrowings from Cane and Sugar Fund decreased.

Shareholders' equity

As at 30 September 2018, Shareholders' equity was Baht 8,194.0 million, increased 1.0 % from Baht 8,112.1 million in 2017 resulted from net profit of operation performance in 2018 (9 months).

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.

Cash flows from operating activities

In 2018 (9 months), Net Profit was Baht 629.3 million, Depreciation and amortization was Baht 964.8 million and other adjustments. Cash flows before changes in operating Assets and Liabilities was Baht 1,923.6 million.

After Changes in operating Assets and Liabilities, Interest paid and Income Tax paid, the Net Cash flows generated from operating activities was Baht 548.6 million, cash flow in investing activities Baht 346.5 million and Net cash flow from financing activities Baht 866.4 million and So the Cash and Cash equivalents decreased Baht 28.8 million.

The beginning Cash and Cash equivalents was Baht 329.7 million and the Cash and Cash equivalents at the end of the year was Baht 300.9 million.

Financial liquidity

According to the consolidated financial statements as at 30 September 2018, Liquidity ratio was 1.10 times closed to previous year at 1.11 times. And Quick ratio was 0.21 times increased from previous year at 0.17 times.

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.

Since 2016 the company restructured the financial loans and received long term loans from financial institution. At present, Net Long term loan after deducting current portion of long-term loans was Baht 2,097.5 million

Debt to equity ratio as at 30 September 2018 was 1.24 times increased from 1.20 times in 2017. 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 2018, the Company Net Investing activities was Baht 346.5 million as its normal working capital, mostly in operation machinery improvement to increase production efficiency.

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, Trade war between United States and China still unsettles, UK Brexit situation, and interest rate policy of Federal Open Market Committee (FOMC) which impact Thailand interest rate and its currency against USD. In addition, the volatility of world oil price also affects costs of production and Thailand fuel price.

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 2018 the country economy will be in good direction upon the awareness of external factors.

Thai Government have policy to cancel the sugar quota system and domestic sugar controlling price, so the sugar manufacturers can sell more domestic sugar and will lead to higher domestic market competition. The company realizes about this risk and has planned marketing strategies and additionally invested in machinery and equipment, human resource development, and new production technology in order to produce good quality of products to serve the customers at best.

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.