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KHON KAEN SUGAR INDUSTRY PUBLIC CO., LTD  
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28 December 2017

SUBJECT        EXPLANATION FOR THE INCREASE IN NET PROFIT OF OVER 20 PERCENT FOR YEAR 2016,  
                      COMPARED TO THE PREVIOUS YEAR

ATTENTION     PRESIDENT, THE STOCK EXCHANGE OF THAILAND

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 in 2016 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 at 1.38 and 1.20, respectively.

Yours faithfully,

Mr.Chamroon Chinthammit  
Chief Executive Officer and President  
Khon Kaen Sugar Industry Public Company Limited