

May 15, 2018

Subject: Management Discussion and Analysis (MD&A) for Quarter 1/2018

To : President, The Stock Exchange of Thailand

Khonburi Sugar Public Company Limited and subsidiaries ("The Company") would like to provide the explanation on the operating result for Quarter 1/2018. The Company had the consolidated net profit THB 382.50 million for Quarter 1/2018 ended March 31, 2018, which increased net profit by THB 167.32 million, or 77.76% compared with the same period of previous year. The Company had Earning before Finance Costs, Taxes, Depreciation and Amortization (EBITDA) of THB 683.38 million which increased by THB 246.15 million compared with the same period of previous year. The change in operating results were as following main factors below:

- 1) The Company had increased in gross margin from sales and service revenue by THB 385.17 million, or 73.42% as compared with the same period of previous year because of the following factors:
 - The cane price in Crop year 2017/2018 decreased compared with the same period of previous year whereas the oversea sugar revenue in Q1/ 2018 almost were the sales contracts from the brought forward of previous year. Such average selling price was still higher than current pricing. Then, this pushed up the gross margin.
 - Sugar sale quantity increased by 5.74% but the average sugar selling price decreased by 17.80% due to reduction in global sugar price. In addition, there is the cancellation of quota system from government. Then, these caused lead to the domestic sugar prices decreased compared with the same period of previous year.
 - Molasses sale quantity increased by 48.85% whereas the average molasses price decreased by 8.31%.
 - Although the average sugar and molasses selling price were lower but the total volume of cane crushed for the production increased by 907,839 ton compared with the same period of previous year. Then, it's lead to increase in our sale volume of sugar and molasses. In addition, the quantity of own bagasse also increased from the previous year. Then, the cost per unit in overall decreased compared with the same period of previous year.

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- A subsidiary had decreased in electricity sales to Provincial Electricity Authority by 9.45%, because the machinery related is under repairing and maintenance.
- The Company had income from sales of agricultural products, oil and agricultural machinery increased by THB 14 million when compared with the same period of previous year.

2) In Quarter 1/2018 ended March 31, 2018, the Company had the loss on derivative by THB 7.83 million whereas in the same period of previous year the Company had gain on derivative by THB 10.43 million. In addition, Quarter 1/2018 the Company had loss on exchange rate by THB 3.47 million whereas in the same period of previous year, the Company had gain on exchange rate THB 6.84 million due to the appreciation of Thai Baht against US Dollar currency.

3) In Quarter 1/2018 ended March 31, 2018, selling expenses increased by 21.88% compared with the same period of previous year. This was in line with increase in sugar sale quantity. In addition, the selling expense was included the expenses as we have to pay The Office of The Cane and Sugar Fund ("OCSF") whereas in previous year, this transaction was presented in sales revenue. This is the changing policy of collection from the fund. The administrative expenses increased by 59.73% compared with the same period of previous year mainly due to increase in personnel expenses and other expenses.

4) In Quarter 1/2018 ended March 31, 2018, the Company recorded income tax expenses by THB 78.03 million, whereas in the same period of previous year , the Company recorded income tax in revenue by THB 20.41 million.

Please be informed accordingly,

Sincerely Yours,



(Mr. Rakkiti Tanglamlert)

Chief Financial Officer