



AC.007/2018

August 14, 2018

Subject: Management Discussion and Analysis (MD&A) for Quarter 2/2018

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 2/2018. The Company had the consolidated net profit THB 73.71 million for the three month period ended June 30, 2018, which increased net profit by THB 52.68 million, or 250.46% compared with the same period of previous year. The Company had Earning before Finance Costs, Taxes, Depreciation and Amortization (EBITDA) of THB 279.68 million which increased by THB 38.26 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 125.28 million, or 66.82% as compared with the same period of previous year because of the following factors:
 - Estimated final sugarcane price in crop year 2017/2018 decreased from crop year 2016/2017 by 318 baht per ton cane or 29.47%. This was lead to the lower cost of raw material.
 - Sales revenue increased by 4.48% that increased in sale sugar volume by 56.49%. However, the average sugar selling price dropped by 32.91% in line with reduction of global sugar price. In addition, there was 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.
 - Sales molasses volume also increased by 23.28% whereas the average molasses selling price decreased by 17.08%.
 - Although the average sugar and molasses selling price were lower but the total volume of cane crushed for the production in crop year 2017/2018 increased from crop year 2016/2017 by 1.54 million ton cane or increased by 63.09%. Then, it's lead to increase in our sale volume of sugar and molasses. 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. In addition, the average cost of sugarcane transportation decreased from the previous year by 81.75 Baht per ton cane or decreased by 44.93%.

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- A subsidiary had decreased in electricity sales to government by 9.0%, due to decrease in the number of units sold as compared with the same period of last year. This is because the turbine machinery is under repairing.
- The Company had income from sales of agricultural products, oil and agricultural machinery increased by THB 13 million when compared with the same period of previous year.

2) The Company had gain on derivative by THB 3.45 million whereas in the same period of previous year the Company had loss on derivative by THB 7.95 million. In addition, the Company had gain on exchange rate by THB 19.02 million whereas in the same period of previous year, the Company had loss on exchange rate THB 9.17 million due to the depreciation of Thai Baht against US Dollar currency.

3) The selling expenses increased by 53.61% in line with increase in sugar sale volume. 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 netting in sales revenue. This is the changing policy of collection from the sugar fund. The administrative expenses increased by 25.72% mainly due to increase in personnel expenses and other expenses.

4) Income tax expenses decreased by THB 13.54 million in the same period of previous year, from our utilization in deferred tax transaction.

Please be informed accordingly,

Sincerely Yours,



(Mr. Rakkiti Tanglamlert)

Chief Financial Officer