



KBS.BKK 085/2019

May 13, 2019

Subject : Management Discussion and Analysis (MD&A) for Quarter 1/2019

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 1/2019. For Quarter 1/2019 ending 31 March 2019, the Company had consolidated net profit amounting to THB 271 million which decreased by THB 111 million or 29.06%, compared with the same period of previous year. The Company had Earning before Finance Costs, Taxes, Depreciation and Amortization (EBITDA) of THB 509 million which decreased by THB 148 million. The change in operating result were as following main factors below:

1.) Total gross profit from sales and service revenue decreased by THB 175 million or 25.60%, compared with the same period of previous year. Sales and services revenue and gross profit by segment of company are presented below:

Unit : Million Baht

	For the three-month periods ended 31 March 2019			For the three-month periods ended 31 March 2018		
	Sugar cane and services segment	Molasses and sugar trading segment	Utilities segment	Sugar cane and services segment	Molasses and sugar trading segment	Utilities segment
Sales and services income	1,151	319	505	1,682	545	465
Cost of sales and services	877	263	318	1,148	506	362
Gross profit	274	57	186	534	39	103
% Gross profit	23.81%	17.87%	36.83%	31.75%	7.16%	22.15%

Note : The numbers on above table have not been eliminated inter-companies transactions.

**บริษัท น้ำตาลนครบุรี จำกัด (มหาชน)**

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1.1) Gross profit from sugar cane and services segment decreased by THB 260 million or 48.67%, compared with the same period of previous year because of the following factors.

- Sales sugar revenue decreased by 32.94% that decreased in sale sugar volume by 19.57%. In addition, the average sugar selling price also dropped by 16.63% in line with reduction of global sugar price.
- Sales molasses revenue decreased by 33.62% that decreased in sales molasses volume and selling price by 0.96% and 32.98%, respectively.
- Sales of agricultural products decreased by THB 65 million because of reduction in sugar cane volume production.
- Cane crushed for Q1/2019 in Crop year 2018/2019 decreased by 0.12 million ton cane or decreased by 3.09%. Then, it's lead to decrease in our sale volume of sugar and molasses. In addition, the quantity of own fuel bagasse for supporting power plant operation also decreased from the same period of previous year. In addition, the average cost of sugarcane transportation decreased by 48.82 Baht per ton cane or decreased by 28.82%.
- The estimated final sugar cane price in Crop year 2018/2019 was THB 715.18 per ton of sugar cane at a sweetness of 10 C.C.S., that decreased from Crop year 2017/2018 by 42 Baht per ton cane or 5.57%. This lead to the lower cost of raw material.

1.2) Gross profit from molasses and sugar trading segment increased by THB 18 million or 46.15%, compare with the same period of previous year because of the following factors.

- A subsidiary had increased in sales sugar revenue by 1,704.26% that increased in sale sugar volume.
- A subsidiary had decreased in sales molasses revenue by 46.34% that decreased in sales molasses volume by 38.33%. In addition, the average molasses selling price decreased by 12.99%.



- A subsidiary had increased in cost of sales sugar by 1,761.09% However, cost of sale molasses decreased by 53.48%.

1.3) Gross profit from Utilities segment increased by THB 83 million or 80.58%, compared with the same period of previous year because of the following factors.

- A subsidiary had increased in electricity sales to government by 19.91%, due to increase in the number of units sold electricity.

- A subsidiary had decreased in cost of sales, due to decrease in utilization bagasse volume.

2.) In Quarter 1/2019, the Company had loss on derivatives by THB 3 million, compared with the same period of previous year. In addition, in Quarter 1/2019, gain on exchange rate increased by THB 21 million.

3.) The selling expenses decreased by 8.32% in line with reduction in sugar sale volume. The administrative expenses decreased by 3.53% mainly due to decrease in personnel expenses and other expenses.

4.) Income tax expenses decreased by THB 34 million from our utilization in deferred tax transactions.

Please be informed accordingly,

Sincerely Yours,

(Mr. Rakkiti Tanglamlert)

Chief Financial Officer