



KBS.BKK 0171/2019

August 13, 2019

Subject : Management Discussion and Analysis (MD&A) for Quarter 2/2019

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 2/2019. The Company had consolidated net profit amounting to THB 42 million for the three month period ending 30 June 2019, which decreased net profit by THB 32 million or 42.95%, compared with the same period of previous year. The Company had Earning before Finance Costs, Taxes, Depreciation and Amortization (EBITDA) of THB 233 million which decreased by THB 47 million. The change in operating result were as following main factors below:

1.) Total gross profit from sales and service revenue decreased by THB 147 million or 48.55%, 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 30 June 2019			For the three-month periods ended 30 June 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 revenue	1,223	208	257	1,964	275	248
Cost of sales and services	1,160	190	181	1,724	262	197
Gross profit	63	18	76	240	13	51
% Gross profit	5.19%	8.86%	29.45%	12.22%	4.82%	20.54%

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

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1.1) Gross profit from sugar cane and services segment decreased by THB 177 million or 73.56%, compared with the same period of previous year because of the following factors below:

- Sales sugar revenue decreased by 38.91% that decreased in sale sugar volume by 36.88%. In addition, the average sugar selling price also dropped by 1.57% in line with reduction of global sugar price.
- Sales molasses revenue decreased by 23.14% that increased in sales molasses volume by 9.88%. However, the average molasses selling price decreased by 17.08%.
- Sales of agricultural products decreased by THB 55 million because of reduction in sugar cane volume production.
- Cane crushed for Crop year 2018/2019 decreased by 0.69 million ton cane or decreased by 17.31%. Then, it's lead to decrease in our sale volume of sugar . In addition, the quantity of own fuel bagasse for supporting power plant operation also decreased from the same period of previous year. The average cost of sugarcane transportation also decreased by 32.48 Baht per ton cane or decreased by 32.34%.
- The estimated final sugar cane price in Crop year 2018/2019 was THB 715.18 per ton of cane at a sweetness of 10 C.C.S.,that decreased from Crop year 2017/2018 by 47 Baht per ton cane or 6.13%. This lead to the lower cost of raw material.

1.2) Gross profit from molasses and sugar trading segment increased by THB 5 million or 39.36%, compared with the same period of previous year because of the following factors.

- A subsidiary had increased in sales sugar revenue by 100% that increased in sale sugar volume.
- A subsidiary had decreased in sales molasses revenue by 33.25% that decreased in sales molasses volume by 31.44%. In addition, the average molasses selling price decreased by 15.37%.



- A subsidiary had increased in cost of sales sugar by 100% However, cost of sale molasses decreased by 36.62%.

1.3) Gross profit from Utilities segment increased by THB 25 million or 46.38%, compared with the same period of previous year because of the following factors.

- A subsidiary had increased in electricity sales to government by 26.26%, 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 2/2019, the Company had loss on derivatives that increased by THB 5 million, compared with the same period of previous year. In addition, in Quarter 2/2019, the Company had gain on exchange rate increased by THB 2 million, compared with the same period of previous year.

3.) The selling expenses decreased by 31.87% in line with reduction in sugar sale volume. The administrative expenses decreased by 37.49% mainly due to decrease in personnel expenses and other expenses.

4.) Income tax expenses decreased by THB 11 million from reduction in earnings before tax expenses.

Please be informed accordingly,

Sincerely Yours,

(Mr. Rakkiti Tanglamlert)

Chief Financial Officer