



KBS.BKK 064/2020

February 24, 2020

Subject : Management Discussion and Analysis (MD&A) for Year 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 the year 2019. For the year ended 31 December 2019, the Company had consolidated net profit amounting to THB 179.7 million which decreased net profit by THB 114.2 million or 38.9% compared with previous year. The Company had Earning before Finance Costs, Taxes, Depreciation and Amortization (EBITDA) of THB 977.9 million which decreased by THB 99.1 million or 9.2% from previous year. The change in operating result were as following main factors below:

1.) Total gross profit from sales and service revenue decreased by THB 339.2 million or 34.1%, compared with previous year. Sales and services revenue and gross profit by segment of Company were presented below:

Unit : Million Baht

	For the year ended 31 December 2019			For the year ended 31 December 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	5,233.1	758.8	1,238.0	6,390.0	1,395.8	1,260.5
Cost of sales and services	4,980.0	661.2	979.3	5,763.9	1,317.6	1,006.9
Gross profit (loss)	253.1	97.6	258.7	626.1	78.2	253.6
% Gross profit (loss)	4.8%	12.9%	20.9%	9.8%	5.6%	20.1%

Note : The numbers on above table have not yet 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 373.0 million or 59.6%, compared with previous year because of the following factors below:

- Sales sugar revenue decreased by THB 746.5 million or 14.5% due to decrease in both sale sugar volume by 7.7% and the average sugar selling price by 7.4%. Such decrease in sugar selling price was in line with reduction on global sugar selling price.
- Sales molasses revenue decreased by THB 233.3 million or 31.9% that decreased in sales molasses volume by 7.9%. In addition, the average molasses selling price also decreased by 26.0%.
- Sales of agricultural products decreased by THB 177.1 million or 33.9% because of reduction in promotion of sugar cane plantation to farmers.
- Cane crushed for Crop year 2018/2019 decreased by 0.7 million ton cane or decreased by 17.3%. 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 previous year. The average cost of sugarcane transportation also decreased by 32.5 Baht per ton cane or decreased by 32.3%.
- The estimated final sugar cane price in Crop year 2018/2019 was THB 692.8 per ton of cane at a sweetness of 10 C.C.S. that decreased from Crop year 2017/2018 by 97.6 Baht per ton cane or 12.4%. This lead to the lower cost of raw material.

1.2) Gross profit from molasses and sugar trading segment increased by THB 19.4 million or 24.7%, compared with previous year because of the following factors.

- A subsidiary had increased in sales sugar revenue by THB 69.0 million or 134.1% compared with previous year that was the resulting from increase in sales sugar volume.
- A subsidiary had decreased in sales molasses revenue by THB 706.1 million or 52.5% that decreased in both of sales molasses volume and the average molasses selling price.
- A subsidiary had increased in cost of sales sugar by THB 66.7 million or 126.7%. However, cost of purchase molasses decreased by THB 723.0 million or 57.2% compared with previous year.



1.3) Gross profit from Utilities segment increased by THB 5.0 million or 2.0%, compared with previous year because of the following factors:

- A subsidiary had increased in electricity sales to government by THB 119.5 million or 19.6%, due to increase in the number of units sold electricity.
- A subsidiary had decreased in cost of sales by THB 27.6 million or 2.7%, due to decrease in utilization of fuel bagasse and also reduce in repair and maintenance cost.

2.) The Company had the other revenue from compensation for production and distribution of sugar that decreased by THB 153.3 or 93.3% million, compared with previous year. The Company expects that the final sugar cane price and final compensation for the production and distribution of sugar will be less than the initial sugar cane price and the initial compensation for the production and distribution of sugar. In accordance with Section 56 of the Cane and Sugar Act B.E. 2527, the Cane and Sugar Fund is to pay such compensation to the Company at the amount equal to the difference, and the sugar cane planters do not have to return the excess amount of the sugar cane price received.

3.) In year 2019, the Company had gain on derivatives that decreased by THB 15.9 million or 53.0%, compared with previous year. However, in year 2019, the Company had gain on exchange rate that increased by THB 34.3 million or 118.7%, compared with previous year.

4.) In year 2019, the Company realized income – subsidy from assistance project by the Office of the Cane and Sugar Fund by THB 154.7 million or 100.0%. In addition, a subsidiary realized income from compensation for the breach of contract by THB 37.4 million or 100.0%. In addition, a subsidiary made the reversal of repairment payable to other income by THB 62.2 million or 100.0% that was settled with contractor on legal case.

5.) The selling expenses decreased by THB 46.5 million or 10.1% in line with reduction in sugar sale volume. The administrative expenses decreased by THB 73.1 million or 18.6% mainly due to decrease in personnel expenses and other expenses.





6.) Income tax expenses increased by THB 18.8 million or 426.6% compared with previous year. The Company partially realized deferred tax in the year.

Please be informed accordingly,

Sincerely Yours,

A handwritten signature in blue ink, appearing to be 'Rakkiti Tanglamlert'.

(Mr. Rakkiti Tanglamlert)

Chief Financial Officer