



KBS.BKK 247/2020

August 14, 2020

Subject : Management Discussion and Analysis (MD&A) for Quarter 2/2020

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 2/2020. The Company had consolidated net loss amounting to THB 77.1 million for the three month period ending 30 June 2020, which increased net loss by THB 119.2 million or 283.4% compared with the same period of previous year. The Company had Earning before Finance Costs, Taxes, Depreciation and Amortization (EBITDA) of THB 117.9 million which was decreased by THB 115.4 million or 49.5% compared with the same period of 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 139.2 million or 74.3%, compared with the same period of previous year. Sales and services revenue and gross profit by segment of Company were presented below:

Unit : Million Baht

	For the three-month period ended 30 June 2020			For the three-month periods ended 30 June 2019		
	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	1,065.4	3.9	262.3	1,223.1	208.2	256.6
Cost of sales and services	1,140.2	2.7	182.5	1,159.6	189.8	181.1
Gross profit (loss)	(74.8)	1.2	79.8	63.5	18.4	75.5
% Gross profit (loss)	(7.0)%	30.8%	30.4%	5.2%	8.8%	29.4%

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

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1.1) Gross profit from sugar cane and services segment decreased by THB 138.3 million or 217.8%, compared with the same period of previous year because of the following factors below:

- Sales sugar revenue decreased by THB 170.1 million or 17.0% due to increase in average selling price by 10.8%. However, sugar sales volume decreased by 25.1%.
- Sales molasses revenue decreased by THB 50.7 million or 30.6% compared with the same period of previous year mainly due to decrease in sales molasses volume by 52.8%. However, the average molasses selling price increased by 47.3%.
- Sales of agricultural products, gasoline and agriculture service increased by THB 63.1 million or 112.6% when compared with the same period of previous year. This was mainly due to have more cane promotion for Crop year 2020/21.
- The Company had the cane crushed in total 1.7 million ton cane for Crop year 2019/20 which decreased by 1.6 million ton cane or decreased by 48.3% from Crop year 2018/19 due to drought weather. Then, the total cane volume in Thailand was 74.9 million ton cane which decreased by 42.8%. 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 increased by 49.0 Baht per ton cane or increased by 72.1%.
- The estimated final sugar cane price in Crop year 2019/2020 was THB 837.8 per ton cane at a sweetness of 10 C.C.S. that increased by 122.7 Baht per ton cane or 17.2% from Crop year 2018/2019. Then, the average cost of raw material was higher from previous year.

1.2) Gross profit from molasses and sugar trading segment decreased by THB 17.3 million or 93.5%, compared with the same period of previous year because of the following factors.

- A subsidiary had decreased in sales sugar revenue by THB 24.9 million or 100.2% due to decrease in sales volume of sugar.
- A subsidiary had decreased in sales molasses revenue by THB 179.5 million or 97.9% due to decrease in sales volume of molasses.



- A subsidiary had decreased in cost of sale sugar and molasses by THB 187.1 million or 98.6%.

1.3) Gross profit from Utilities segment increased by THB 4.2 million or 5.6%, compared with the same period of previous year because of the following factors:

- A subsidiary had decreased in electricity sales to company and government by THB 5.0 million or 2.1%, due to decrease in selling price. This is because of decrease in coal price.

- A subsidiary had increased in steam sales to company by THB 10.6 million or 45.3%, compared with the same period of previous year.

- A subsidiary had increased in cost of sales by THB 1.5 million or 0.8%, due to increase on cost of biomass fuel price per unit.

2.) In Quarter 2/2020, the Company had gain on derivatives that increased by THB 15.7 million. However, The Company had gain on exchange rate that decreased by THB 16.3 million or 94.7%, compared with the same period of previous year.

3.) The selling expenses decreased by THB 13.9 million or 16.1% in line with reduction in sugar sale volume. The administrative expenses decreased by THB 6.5 million or 10.3%. The major expenses decreased in personnel expenses.

4.) Bad debt allowance expenses increased by THB 5.6 million. Finance expenses decreased by THB 11.4 million or 24.9%, compared with the same period of previous year.

5.) Income tax revenue decreased by THB 5.7 million compared with the same period of previous year. The Company has recognized deferred income tax in during the period.

Please be informed accordingly,

Sincerely Yours,

(Mr. Rakkiti Tanglamlert)

Chief Financial Officer