

No. AC 152/2561

KHON KAEN SUGAR INDUSTRY PUBLIC CO., LTD
503 K.S.L. TOWER, 9th FLOOR, SRIAYUDHYA ROAD,
RAJATHEVI, BANGKOK 10400

26 December 2018

SUBJECT EXPLANATION FOR THE DECREASE IN NET PROFIT OVER 20 PERCENT FOR YEAR 2018 COMPARE
 TO THE PREVIOUS YEAR

ATTENTION PRESIDENT, THE STOCK EXCHANGE OF THAILAND

Khon Kaen Sugar Industry Public Company Limited and its subsidiaries ("KSL") would like to report our financial performance of year 2018 (Nov 2017 – Oct 2018). The Company recorded total revenue of THB 17,813 million compare to THB 15,623 million last year, representing a increase of 17% and recorded net profit of THB 848 million compare to net profit of THB 1,970 million at the same period last year, representing a decrease of 57%. The details were as followings;

Total Revenue

Increase in total revenue in 2018 due to increase in sugar sales volume from 687,046 tons last year to 1,091,228 tons or increase by 59%, however average selling price decrease from 17,362 THB/ton to 12,526 THB/ton.

At the beginning of 2017, world sugar price has climbed up to 20 cent/lb then dropped sharply to 12 – 13 cent/lb now, due to global sugar supply is surplus in 2018 with the additional of domestic price decrease from the new sugar regime that domestic price will float along with global price. As a result, the Company recorded average sugar price decrease from the previous year but the Company recorded sales volume increase as mentioned above. Therefore the net effect is total revenue increased.

Other incomes

A reason of decrease in other income in 2018 compared to the same period previous year mainly due to in 2017, one of subsidiary which operates ethanol business has amalgamated with Bio-fuel business of subsidiary of Bangchak Corporation PCL. This amalgamation in accounting aspect has to be a sell of existing subsidiary, and then invest in the new bio-fuel company instead (KSL's new associated company). As a result, the Company recorded gain from amalgamation of THB 2,370 million or THB 1,896 million after tax.

For 2018, there is no amalgamation gain as in 2017 but recorded revenue from compensation of sugar production and distribution, foreign exchange gain. Therefore the net effect is decrease in other income.

Distribution Cost

An increase of distribution cost compares to the same period last year due to increase in sales volume that mentioned above. The Company incurred distribution cost THB 1,886 million compare to THB 1,519 million previous year.

Financial Cost

In 2017/18 harvesting season, the Company has crushed sugarcane 11.03 million tons compare to 6.83 million tons last year or increased by 61%. Therefore the Company used more working capital to finance inventory that increased financial cost of THB 728 million compare to THB 668 million at the same period last year.

For overall 2018 performance, the Company recorded total revenue of THB 17,813 million compare to THB 15,623 million last year, representing an increase of 14% and net profit of THB 848 million compare to the net profit same period last year at THB 1,970 million, representing an decrease of 57%. The Company's total assets were recorded at THB 45,542 million, with total liabilities of THB 26,903 million and total shareholders' equity of THB 18,639 million. Debt to Equity Ratio (D/E) and Interest Bearing Debt to Equity Ratio represented at 1.44 and 1.26, respectively.

Yours faithfully,

Mr.Chamroon Chinthammit
Chief Executive Officer and President
Khon Kaen Sugar Industry Public Company Limited