



บริษัท น้ำตาลขอนแก่น จำกัด (มหาชน)
坤敬糖廠有限公司 (大衆)
KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED

No. AC 071/2020

25 December 2020

SUBJECT MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL PERFORMANCE
FOR THE YEAR 2020

ATTENTION PRESIDENT, THE STOCK EXCHANGE OF THAILAND

Khon Kaen Sugar Industry Public Company Limited and its subsidiaries ("KSL" or "the company") would like to report our financial performance for the fiscal year 2020 (from November 1, 2019 to October 31, 2020). The company had a net loss attributed to owners of the parent in the amount of THB 83 million. The operating performance and major changes by comparison with the year 2019 are summarized as follows:

Revenues from Sales and Rendering of Services

For the year 2020, the company's total revenues from sale and service of THB 11,853 million was decreased by THB 6,002 million or 34% and summarized as follows:

(Unit : Million THB)

Structure of Revenues	The fiscal year 2020	The fiscal year 2019	Increase (decrease)
Revenues from sales	11,672	17,490	(5,818)
Sugar and molasses	10,043	15,413	(5,370)
Electricity	1,167	1,205	(38)
Fertilizer, fuels and others (supporting business)	462	872	(410)
Revenues from services	181	365	(184)
Total revenues from sales and services	11,853	17,855	(6,002)

- (1) For the year 2020, the decrease in revenues from sugar sales of THB 5,370 million or 35% was mainly due to the severe drought in Thailand which causing a significant drop of sugar cane supply output used for sugar production. The total sugarcane volume in Thailand for the production year 2019/2020 was decreased by more than 40%. It was affected to the decrease in sugar sales volume by 45%, whereas the average sale price was increased by 15% as world sugar prices rose in 2020.

- (2) Revenue from sale of electricity was slightly decreased by THB 38 million or 3%.
- (3) Decrease in revenues from supporting business of THB 410 million or 47% was mainly caused from less volume of trading activities related to sugar business.

Gross Profit

For the year 2020, the company had a gross profit of THB 1,771 million, representing 15% of gross profit margin, which decreased from THB 3,625 million or 20% of gross profit margin for the year 2019. The decrease in gross profit was mainly due to decrease in sale volume, whereas the decrease in gross profit margin was caused from higher production costs which derived from higher costs of raw materials (sugarcane) included higher fuel costs in electricity production and other production costs per unit resulting from lower amount of cane crushed. The current estimated price of sugar cane for the production year 2019/2020 was increased by 20% - 25% comparison with the production year 2018/2019. The sugarcane price was estimated in line with calculation method of the Office of the Cane and Sugar Board.

Revenue from investments in associates and other Income

(1) Share of gain on investment in associates was increased by THB 221 million (2020: THB 322 million and 2019: THB 101 million).

(2) Other income decreased by THB 502 million was mainly due to the following:

- In the year 2019, the company recognized a refund from the Cane and Sugar Fund according to the assistance project to support sugar cane planter and sugar plants in the amount of THB 308 million. (the year 2020: Nil)
- In the year 2019, the company recognized a revenue from the compensation for the production and distribution of sugar in the amount of THB 101 million. The compensation expected to be reimbursed from the Cane and Sugar Fund ("The Fund") as a result that the final price of sugar cane and the final compensation for the production and distribution of sugar are lower than the initial price's. The Fund has to compensate the sugar mills price difference and the compensation since the overpayment of sugar cane price is not directly required for refund from cane farmers. (the year 2020: Nil)

Distribution Costs

Distribution costs decreased from THB 451 million in the previous year to THB 2,206 million in the year 2020. The decrease of THB 1,755 million was mainly due to (1) the cancellation of remittance fee to Office of the Cane and Sugar Fund which effective from October 1, 2019 onwards, in the amount of THB 1,262 million and (2) the decrease in sugar sale volume, especially decrease in export sale volume, caused a significant decrease in sugar storage and shipping costs in approximate THB 493 million.

Administrative and other expenses

The significant changes in expenses are as follows:

- The contributions to the Cane and Sugar Fund of the previous years (the years 2019 and 2018) in the total amount of THB 330 million was recognized as expense in the year 2020. The contribution is calculated from volume of sugar cane crushing for production in the previous production year 2017/2018 (since January 15, 2018 onwards) and 2018/2019 at the rate of THB 20 per ton of sugar cane according to the Cabinet Resolution announcement of the Royal Gazette dated May 26, 2020.
- In the year 2020, the company recognized loss on investment in derivatives for sugar price hedging in the amount of THB 394 million, (the year 2020: profit from investment in derivatives of THB 121 million)

Financial Costs

Financial costs of THB 497 million was decreased from the previous year by THB 213 million due to repayment of long-term borrowings and debentures included decrease in the average interest rate.

For the fiscal year 2020 financial status overview, the company had total assets of THB 41,122 million, total liabilities of THB 21,576 million and total shareholders' equity of THB 19,546 million. Interest bearing debt to equity ratio (IBD/E ratio) as at October 31, 2020 represented at 0.96, which reduced from the rate of 1.16 as at October 31, 2019 due to a significant decrease in borrowings.

Yours faithfully,



Mr. Chamroon Chinthammit

Chief Executive Officer and President

Khon Kaen Sugar Industry Public Company Limited