



No. ACC 03/2016

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

14 June 2016

SUBJECT EXPLANATION FOR THE CHANGE IN FINANCIAL PERFORMANCE OF OVER 20 PERCENT FOR THE
 SECOND QUARTER OF YEAR 2016 COMPARED TO THE SAME PERIOD OF THE PREVIOUS YEAR

ATTENTION PRESIDENT, THE STOCK EXCHANGE OF THAILAND

Khon Kaen Sugar Industry Public Company Limited and its subsidiaries ("KSL") would like to clarify our financial performance of the second quarter year 2016 (February 2016 – April 2016) as follow;

Revenue from Sales and Services decrease by 4%

The Company recorded the revenue from sales and services at THB 3,939 million, decreased by 4%, compared to the same period of last year, which recorded at THB 4,087 million. The main reasons of revenue decrease were from (1) Power Business, the Power Plant at Bo Ploy facility has stopped the operation due to periodic maintenance. This caused the drop in sale volume. (2) Ethanol Business, ethanol selling price has dropped, compared to the same period last year. However, for sugar business, in the second quarter year 2016, the sugar sale volume was 191,093 tons, closed to the same period last year at 186,882 tons. The average sugar selling price increased a little from 15,127 THB per ton (the second quarter of year 2015) to 15,598 THB per ton (the second quarter of year 2016)

Gross profit margin decreased from 27% to 24%

In the second quarter of year 2016, the company recorded the Cost of Sales and Services at THB 2,983 million, closed to the same period last year at THB 2,974 million. As a result, the Gross profit decreased from THB 1,112 million (the second quarter of year 2015) to THB 956 million (the second quarter of year 2016) or decreased by 14%. The decreases were mainly due to (1) The sugar production cost increased from higher sugar cane price which increased proportionally with the increase in World market price in second and third quarter of year 2016 (according to 70:30 revenue sharing system). However, the sugar selling price still was the same as of last year. This caused the decrease in profit per ton sugar. (2) The ethanol production cost in the second quarter of year 2016 was almost the same as of last year, but the ethanol selling price decreased, compared to the same period of last year. This caused the decrease in profit per liter of ethanol. (3) Power Business, the Power Plant at Bo Ploy facility has stopped the operation due to periodic maintenance. This caused higher stoppage expenses.



Overall, the gross profit margin in the second quarter year 2016 was 24%, decreased from 27% the same period of last year.

Other Income decreased

In the second quarter of 2016, the Company recorded the gain from sugar hedging at THB 23 million, decreased from THB 119 million (the second quarter of 2015) or decreased by 81%. Normally, the gain and loss from sugar hedging will be recorded from the transactions which the Company enters the sugar forwarding contracts with the financial institutions (by accounting standard, they were categorized in other incomes). However, in year 2016, the Company decided mainly to enter the sugar forwarding contracts with the sugar buyers (by accounting standard, they were calculated in selling price and be categorized in Revenue from Sales). As a result, the gain from sugar hedging decreased in this year.

Net profit decreased by 61%

The Company recorded the increase in selling expenses from THB 452 million to THB 500 million in the second quarter year 2016. This increase was mainly due to higher sugar domestic sales which increased from 53,286 tons to 60,396 tons. As a result, the Company recorded higher expenses of the fee to sugar funds. In addition, the administration expenses increased mainly from the salaries, wages and employee benefit expenses.

In the second quarter of year 2016, the financial cost decreased from THB 209 million to THB 181 million.

Consequently, based on 3 month period performance (February 2016 - April 2016), the Company recorded the net profit of THB 179 million or decreased by 61%, compared to the same period last year which recorded net profit of THB 464 million. Based on 6 month period performance (November 2015 - April 2016), the Company recorded the net profit of THB 528 million or decreased by 39%, compared to the same period last year which recorded net profit of THB 860 million.

Yours faithfully,

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