



No. ACC 07/2016

KHON KAEN SUGAR INDUSTRY PUBLIC CO., LTD  
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28 December 2016

SUBJECT        EXPLANATION FOR THE INCREASE IN NET PROFIT OF OVER 20 PERCENT FOR YEAR 2016,  
                     COMPARED 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 2016 (November 2015 – October 2016). The Company recorded a net profit of THB 1,426 million, compared to the net profit of THB 862 million last year, representing an increase of 66%. The details were, as followings;

*Sugar Business in Thailand recovered by the increase of world sugar price.*

In 2016, the world sugar price increased, after the price dropped to the lowest at 10.13 cents/lbs during second half of 2015 (as shown in Chart 1 : World Sugar Price, cents/lbs). As a result, the average sugar selling price in 2016 increased, raw sugar export price increased by 13.7% from 10,463 THB per ton to 11,893 THB per ton, refined and white sugar export price increased by 7.6% from 13,793 THB per ton to 14,837 THB per ton. Domestic sugar price was unchanged. In overall, sugar selling price increased by 5.9%. According to production cost, due to that raw material cost related to world sugar price, following the regulated system under 70:30 revenue sharing, higher world sugar price resulted in higher raw material cost. However, in 2016, with the improvement of the Company production efficiency (COW), the average production cost had a small increase by 4%-5%.

In 2016, the sugar sale volume dropped, due to (1) the drought, the sugar cane crushed decreased by 13% from 8.7 million tons to 7.6 million tons in 2016. (2) less inventory carryover than those of previous year. The sugar sale volume dropped by 8.1% from 895,786 tons in 2015 to 823,437 tons in 2016.



Chart 1 shown the world sugar price, cents/lbs, during the period from 1 Nov to 31 Oct, for 3 years

**Sugar Business in Oversea, Less Loss compared to previous year by world sugar price recovery**

The Company recorded the improvement in overseas sugar business performance by world sugar price recovery. Different from sugar business in Thailand, the raw material costs of overseas sugar business were mostly from actual sugar cane plantation costs. These costs were not related to world sugar price (the raw material cost of sugar business in Thailand related to world sugar price, under 70:30 revenue sharing system). In 2016, the Company recorded higher sugar sale volume from 27,481 tons in 2015 to 52,404 tons in 2016. The sugar selling price increased by 23% - 26%. However, due to the drought, the sugar cane volume from our own cane plantation reduced, less than our expectation. As a result, the sugar business in overseas still got loss but less loss than previous year.

*Note : Based on Separate statements of profit and loss of Khon Kaen Sugar Industry, the Company made an assessment of impairment loss to investment in sugar business in overseas and recorded impairment loss of THB 744.53 million.*

**Ethanol business performance decreased due to lower selling price and lower sale volume**

In 2016, the Company ethanol sale volume dropped from 97.12 million liter in 2015 to 85.44 million liter in 2016, due to the drought in Kanchanaburi Area. This caused, there were not enough water to run the production for 3 months. In addition, the selling price in 2016 decreased to 23.56 THB per liter from 25.71 THB per liter in 2015 which came from the price drop in cassava, another competitive crop, used for producing ethanol. The ethanol producers based on cassava, were able to compete the price with the ethanol producers based on molasses. This ended up to lower selling ethanol price.

*Power business dropped from lower selling price and lower sale volume*

In 2016, due to one of turbine machine breakdown and the drought impact to Kanchanaburi Area, together with lower sugar cane crushed, the Company's power business had a decrease in performance. The electric sale volume to grid dropped by 8.3% from 300,287 MW-hr in 2015 to 275,456 MW-hr in 2016. The electric selling price dropped by 12.8% from 3,368 THB per MW-hr to 2,935 THB per MW-hr in 2016.

*The value increase of investment property due to higher land price appraisal.*

In 2016, due to higher government's land appraisal price and with the purpose to reflect current existing asset value, the Company had appraised the new value of the land used in operation, land not used in operation and the investment property. Regarding the investment property, the Company changed the policy recording the value of investment property in financial statement, from the valuation using cost method to the valuation using fair value method. These fair value of investment property were determined by an independent appraiser. As a result, the Company recorded the gain on fair value adjustments of investment property (after tax) of THB 910.62 million and recorded loss on impairment of assets (after tax) of THB 60.60 million. Totaling, the Company recorded net gain (after tax) at THB 850.02 million.

In overall 2016 performance, the Company recorded a net profit of THB 1,426 million, compared to the net profit last year at THB 862 million, representing an increase of 66%. The Company's total assets were recorded at THB 38,275 million, with total liabilities of THB 21,724 million and total shareholders' equity of THB 16,650 million. Debt to Equity Ratio (D/E) and Interest Bearing Debt to Equity Ratio represented at 1.30 and 1.13, respectively. The Company recorded net cash received from operating activities of THB 4,012 million, net cash used in investing activities of THB 1,319 million, and net cash used in financial activities (pay back) of THB 2,797 million.

Yours faithfully,

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