

February 23, 2016

Subject : Management Discussion and Analysis (MD&A) for the year 2015

To : President

The Stock Exchange of Thailand

Khonburi Sugar Public Company Limited ("the Company") would like to provide the explanation on the operation result for the year 2015. The Company had consolidated net loss of THB 50.2 million, which has been decreased from the year 2014 by THB 368.9 million, or a 115.75% decrease. The change in operating results is due to the following main factors:

- 1) Gross margin from sales and service decreased by THB 345.6 million, as compared to the last year because of the following factors.
 - Sugar sale quantity increased by 14.3% as compared to the last year, but the average sale price dropped by 15.7% as a result of the continuous drop in sugar global market price. Moreover, the White Premium (margin difference between white sugar price and raw sugar price) has also dropped.
 - Molasses sale quantity decreased by 1.4% as compared to the last year and average molasses price also increased by 6.9%.
 - KBS group has started to sell electricity to Electricity Generating Authority of Thailand (EGAT) according to the 22 MW Firm Contract since 2 January 2015 (Commercial Operating Date:COD). Therefore, the revenue and profit from electricity sale increased this year as compared to the last year.

Major contributing factor of the decrease in gross margin from sales and services are the reduction in global sugar price as well as the drop in White Premium.

- 2) Selling and administrative expenses increased by THB 51.6 million as compared to the last year due to
 - Increase of selling expenses by THB 58.4 million in line with the increase in sugar sale quantity.
 - Administrative expenses decrease by THB 6.0 million.
- 3) Loss from derivative of THB 55.6 million, which the Company used to hedge to maintain the margin from sugar sales by keeping the Company's export sales portion to be in line with that of Thai Cane and Sugar Company Limited ("TCSC").
- 4) Finance cost increased by THB 53.5 million.
- 5) Income tax expenses decreased by THB 138.6 million.

Please be informed accordingly,

Sincerely Yours,

Mr.Thanthit Kasemsup

Business Development Director

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