



บริษัท ล่าสูง (ประเทศไทย) จำกัด (มหาชน)

Lam Soon (Thailand) Public Company Limited

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May 9, 2014

**Subject: To submit the Interim Management Discussion and Analysis
For the three-month period ended 31 March, 2014**

To: Directors and Managers of the Stock Exchange of Thailand

Lam Soon (Thailand) Pcl. (LST) and its subsidiaries would like to inform the operating results for the three-month period ended March 31, 2014 which had the Profit attributable to equity holders of the Company Baht 16.99 million, compared to the same period of 2013 with the net profit at Baht 153.66 million, decrease Baht 136.67 million or 88.94%.

The Company would like to submit the management discussion and financial performance analysis and explanation for the three-month period ended March 31, 2014.

Please be kindly informed.

Sincerely yours,

(Miss Anchalee Suebchantasiri)
Managing Director

CC: The Securities and Exchange Commission

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Interim Management Discussion and Analysis For the three-month period ended 31 March 2014

Q1/2014 Industry Overview

At the Q1/2014, the output of FFB in the Kingdom was around 2.95 million MT, lower than the same period of last year being at 3.15 million MT. This was because of the drought condition and no rainfall since December 2013 until March 2014, reducing FFB output. Hence, the FFB price continuously increased from 5 Baht/Kg at the end of 2013 to higher than 6 Baht/Kg during February – early March 2014. CPO stock decreased from December 2013 at 203,999 MT to 154,349 MT in February 2014 which is considered as a critical level. Furthermore, the average Oil Extraction Rate (OER) at Q1/2014 was only 16% (Q1/2013 : 17.3%). Those factors pushed up CPO price to the highest at 35.50 Baht/Kg in February 2014. Producers of bottled cooking oil, the price of which has been controlled by the Internal Trade Department at 42 Baht/bottle (VAT included), requested to raise the said ceiling price as they could not bear anymore such higher raw material cost. Therefore, the Office of Agricultural Economics called a meeting with The Thai Oil Palm Board on 28 February 2014 to monitor the situation of oil palm and palm oil, and to consider the importation of CPO amounting 40,000 MT with partial shipment at the first 20,000 MT within March 2014. However, during the consideration, the crop season had just started so more FFB output coming out, leading to hold back the CPO importation.

More FFB output that started to come out in March together with the news of CPO importation pressed down the FFB price dramatically from more than 6 Baht/Kg during February – early March 2014 to below 4 Baht/Kg at the end of March 2014, reducing CPO price from 35 Baht to 26-27 Baht/Kg at the end of March 2014.

Financial performance analysis and explanation

Sales value for the three-month period ended 31 March 2014 of the Company increased by 19.75% when compared with the same period of 2013. This was due to an increase in CPO price by 39.10% leading to an increase in average selling price at 11.54% whereas the sales volume increased by 10.35%. Nevertheless, the average cost of CPO continuously increases since the end of 2013, with higher ratio than average selling price. Besides, bottled oil cannot be adjusted its retailed selling price align with the higher raw materials cost because it is under DIT control price, as mentioned in the above Industry Overview. Therefore, gross profit for the period was down by 110.43 million Baht and net profit decreased by 116 million Baht or 112.44% when compared with the same period of last year.

For its subsidiary UPOIC, the overall processed FFB crop from own estates and concession land during the three-month period ended 31 March 2014 decreased by 24.78% compared to the same period of last year. Output from its own planted area decreased by 14.19% while there was a decrease of FFB in oil palm mature area from concession area by 33.82% influenced by prolonged drought for several months in inflorescence flowering stage hence the reducing of average bunch weight and arising of inflorescence abortion.

The Out-grower crops of the subsidiary decreased by 19.16% due to total FFB crop in the market decreasing, which came from long drought period same as the subsidiary's crop. In addition, the volume of own FFB crops also decreased by 27.03%. As such, of the total volume of FFB processed, which decreased by 24.78% from the same period of 2013, 30.7% was from FFB purchased and 69.3% from own estates. (Q1/2013: 28.6% and 71.4%).

As explained above, the net profit of equity holders of the Company on a consolidated basis for the three-month period ended 31 March 2014 decreased from 153.66 million Baht to 16.99 million Baht, or 88.94% from 2013. Net profit margin for the period was 0.81% (2013 : 8.36%).

Interim Management Discussion and Analysis For the three-month period ended 31 March 2014

Other major components and changes in consolidated financial statements are as follows:-

1. Revenues

Revenue from sales : Net Sales under LST and its subsidiaries for the period increased by 284.39 million Baht or 15.77%. Sales of LST itself increased by 299.53 million Baht or 19.75%, deriving from 10.40% increase in sales volume and 9.34% increase in the average selling price due to the increase of CPO cost, the major raw material.

At its subsidiaries, net sales decreased by 15.14 million Baht or 5.28% due to sales of other palm products decreasing by 22.45 million Baht, sales of electricity power increasing by 1.08 million Baht, sales of canned fruits & vegetables decreasing by 15.62 million, sales of fruit juice and others increasing by 56.84 million, and sales of frozen fruits & vegetables decreasing by 34.99 million Baht.

Other income : Income other than those generated by normal operation was 14.28 million Baht or 0.68% of total revenues, a decrease of 19.50 million Baht or 57.73% which mainly came from subsidiaries i.e. income from selling by-products, gain on disposals of property, plant and equipment, and the compensation from lawsuit of last year.

2. Cost of sales and expenses

Cost of sales : The Company and its subsidiaries recorded cost of sales for the period at 89.13% of total sales (2013 : 78.46%). Cost of sales of the Company itself increased from 86.28% in 2013 to 94.62% in 2014 because of higher CPO price explained above.

Plantation subsidiary UPOIC recorded cost of sales at 72.25% of total sales (2013 : 62.18%). This was because the average price of FFB increased by 48.99%, even though the average selling prices of CPO and CPKO increased by 33.94% and 76.05% respectively.

Selling expenses : The Company and its subsidiaries recorded selling expenses for the period at 143.26 million Baht, an increase of 7.31 million Baht (2013 : 135.95 million Baht). Of the amount, 23.27 million Baht was increased from the Company itself incurred by A&P and goods transportation expense; and 15.96 million Baht was decreased by goods transportation expense and the allowance for diminution in inventory value reversed during the period 8.96 million Baht from the subsidiaries.

Administrative expenses : Administrative expenses was 54.53 million Baht (2013 : 50.44 million Baht), increasing by 4.09 million Baht from the subsidiary incurred by legal fee and the allowance for doubtful debts.

Finance cost : Finance cost was recorded at 13.08 million Baht (2013 : 14.96 million Baht), a decrease of 1.88 million Baht or 12.55%. This was because of an increase in cash flow of the Company from operating result prior year.

3. Profits

Gross profit (GP) : GP margin decreased to 10.87% (2013 : 21.54%). For the Company itself, GP decreased by 110.43 million Baht because of the higher raw material cost despite the higher sales volume. Gross profit of its subsidiaries also decreased from higher raw material cost and processing cost which was resulted from a decrease in FFB crop and %OER . The GP of the Company and its subsidiaries decreased by 161.47 million Baht or 41.56%.

Interim Management Discussion and Analysis For the three-month period ended 31 March 2014

Operating profit : Owing to the S&A expenses increased, this resulted in operating profit decreasing by 192.38 million Baht.

Net profit : The net profit attributable to equity holders of the Company for the three-month period ended 31 March 2014 decreased by 136.67 million Baht or 88.94%, with net profit margin of 0.81% (2013 : 8.36%).