



บริษัท ล้าสูง (ประเทศไทย) จำกัด (มหาชน)  
**Lam Soon (Thailand) Public Company Limited**

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**May 15, 2015**

**Subject: To submit the Interim Management Discussion and Analysis  
For the three-month period ended 31 March, 2015**

**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, 2015 which had the Profit attributable to equity holders of the Company Baht 66.48 million, compared to the same period of 2014 with the net profit at Baht 16.99 million, increase Baht 49.49 million or 291.24%.

The Company would like to submit the management discussion and financial performance analysis and explanation for the three-month period ended March 31, 2015.

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 2015

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### **Q1/2015 Industry Overview**

In Q1/2015, the output of FFB in the Kingdom was around 2.33 million MT, about 21% lower than the same period of last year at 2.95 million MT. This was because of the lower rainfall amount in 2014 when compared with 2013. Furthermore, there was a lack of rainfall from early November 2014 until March 2015, together with a harvest cycle of palm fruit ending during December 2014 – February 2015, reducing FFB output when compared with 2014. Hence, FFB price has continuously increased from 5 Baht/Kg at the end of 2014 to higher than 6 Baht/Kg during January – end February 2015. CPO stock sharply decreased from November 2014 at 254,117 MT to a very critical level of 117,197 MT in January 2015. Furthermore, the average Oil Extraction Rate (OER) at Q1/2015 was only 16.3% (Q1/2014 : 16.7%). Those factors pushed up CPO price to the highest at 37 Baht/Kg in mid-January 2015. 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, on 20 January 2015, the Cabinet resolved to approve the importation of Crude Palm Olein (CPL) amounting 50,000 MT to tackle the shortage problem, as proposed by the National Oil Palm Policy Committee (NOPPC) following its resolution of the meeting no. 1/2015 held on 19 January 2015. The import, to be completed within mid-February 2015 was carried out by the Public Warehouse Organization (PWO) under regular procedures and later reselling to refineries to produce as bottled palm oil with the retail ceiling price at 42 Baht/bottle. The volume for each local refinery was allocated by the Palm Oil Refinery Association. In addition, the Energy Ministry reduced the palm oil (B100) blended into diesel from 6-7% to 3.5-7% to diminish the demand for palm oil as an alternative energy. Once the supply of palm oil became adequate, the blending proportion would be increased to 7% again.

FFB output are getting start to the market in March, which pressed down the FFB price dramatically from more than 6 Baht/Kg during January – end February 2015 to below 5 Baht/Kg in March 2015. This in turn reduced CPO price from 37 Baht to 26-27 Baht/Kg at the end of March 2015.

### **Financial performance analysis and explanation**

Sales value for the three-month period ended 31 March 2015 of the Company decreased by 7.33% when compared with the same period of 2014, resulted from the sales volume decreased by 9.1%, while an increase in average selling price at 1.95% only. For Cost of sale; CPO price decreased by 4.97%. Therefore, gross profit for the period was raised by 65.99 million Baht and net profit increased by 57.95 million Baht or 451.39%.

For its subsidiary UPOIC, the overall processed FFB crop during the three-month period ended 31 March 2015 decreased by 58% compared to the same period of last year. Output from its own planted area decreased by 24.9%, while concession area decreased by 80.8%. There were influenced by long drought period since 2013 continuing to 2014. Furthermore, there was a lack of rainfall from early November 2014 until March 2015. In addition, the concession area which had former contract with the Royal Forest Department, a subsidiary of the subsidiary company is asking for the government to grant a permit to exploit or inhabit in such land and the request is under consideration of government related units. That caused of no harvesting activity can be done.

The subsidiary company increased Out-grower crops by 128.5% due to total FFB crop from own crop decreased by 58%. As such, of the total volume of FFB processed, which slightly as the same period of 2014, 70.7% was from FFB purchased and 29.3% from own estates (Q1/2014: 30.7% and 69.3%).

For its subsidiary UFC, sales value increased Baht 28.03 million.

As explained above, the net profit of equity holders of the Company on a consolidated basis for the three-month period ended 31 March 2015 was Baht 66.48 million, increased by Baht 49.49 million

## Interim Management Discussion and Analysis For the three-month period ended 31 March 2015

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(Q1/2014 : Baht 16.99 million) or 291.24%. Net profit margin for the period was 3.06% (Q1/2014 : 0.81%).

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 three-month period ended 31 March 2015 increased by Baht 61.97 million or 2.97% when compared with the same period last year. Sales of LST itself decreased by Baht 133.23 million or 7.33%, deriving from decrease in sales volume 9.1% while increase in the average selling price 1.95% only.

At its subsidiaries, net sales increased by Baht 194.46 million or 71.56% due to sales of other palm products increasing by Baht 137.09 million, sales of fruit juice and others increase by baht 74.21 million, while sales of frozen fruits & vegetables decreasing by Baht 18.07 million.

**Other income :** The Company and its subsidiaries have income other than those generated by normal operation Baht 23.29 million or 1.07% of total revenues, an increase of Baht 8.86 million or 61.41% mainly came from gain on exchange rate, selling by-products.

### 2. Cost of sales and expenses

**Cost of sales :** The Company and its subsidiaries recorded cost of sales for the three-month period ended 31 March 2015 at 87.03% of total sales (Q1/2014 : 89.15%). Cost of sales of the Company itself decreased to 90.27% (Q1/2014 : 94.62%) because of CPO price decreased by 4.97%.

Plantation subsidiary UPOIC recorded cost of sales at 102.7% of total sales, which increase by 30.3% (Q1/2014 : 72.4%), which mainly came from FFB cost of own crop increased 106.4%, resulted to increasing in FFB cost and CPO processing cost per unit.

Subsidiary UFC recorded cost of sales at 72.86% of total sales (Q1/2014 : 82.17%).

**Selling expenses :** The Company and its subsidiaries recorded selling expenses at Baht 156.24 million (Q1/2014 : Baht 143.02 million), an increase of Baht 13.22 million from its subsidiaries. Increase by A&P, goods transportation expense and damage claim from export sales.

**Administrative expenses :** Administrative expenses was Baht 59.61 million (Q1/2014 : Baht 54.35 million), increasing by Baht 5.26 million from the subsidiary incurred by seed subsidy for Project Learning Center and Developing Sustainable Agriculture (Economic crops; Oil Palm) Baht 1.9 million, employee benefit and others Baht 1.1 million.

**Finance cost :** Finance cost was recorded at Baht 11.16 million (Q1/2014 : Baht 13.09 million), a decrease of Baht 1.93 million or 14.71%. This was because of an increase in cash flow from operating result.

### 3. Profits

**Gross profit (GP) :** GP margin increased to 12.97% (Q1/2014 : 10.85%). For the Company itself, GP increased by Baht 65.99 million as above reasons. Despite gross profit of its subsidiaries UPOIC decreased, the GP of the Company and its subsidiaries increased by Baht 52.19 million or 23.04%.

**Net profit :** The net profit attributable to equity holders of the Company for the three-month period ended 31 March 2015 was Baht 66.48 million (Q1/2014 : Baht 16.99 million) increased by Baht 49.49 million or 291.24%, with net profit margin of 3.06% (Q1/2014 : 0.81%).