



บริษัท ลำสูง (ประเทศไทย) จำกัด (มหาชน)

**Lam Soon (Thailand) Public Company Limited**

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May 9, 2019

**Subject: To submit the Interim Management Discussion and Analysis  
For the three-month period ended 31 March 2019**

**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 31 March 2019. Total revenues were Baht 1,550.5 million, compared to the same period of 2018 with revenues at Baht 2,010.9 million, decreasing by 22.9%. The Profit attributable to equity holders of the Company was Baht 90.2 million, compared to the same period of 2018 with the Profit at Baht 78.7 million, increasing by 14.5%.

The Company would like to submit the management discussion and financial performance analysis and explanation for the three-month period ended 31 March 2019.

Please be kindly informed.

Sincerely yours,

(Miss Anchalee Suebchantasiri)  
Managing Director

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Certification



## Interim Management Discussion and Analysis For the three-month period ended 31 March 2019

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### Q1/2019 Industry Overview

In Q1/2019, the industry sentiment was still influenced negatively by anti-palm oil news from EU. In March 2019, the European Commission (EC) adopted a draft delegated act specifying the sustainability criteria for biofuels and classifying palm oil as unsustainable. Furthermore, an increase of excessive growth in supply was leading to the huge surplus of Crude Palm Oil (CPO) stock in the global market. It is expected that global CPO production in 2019 would be as high as 73-75 million MT, 85% of which was derived from Indonesia and Malaysia at 45 and 20 MT respectively while CPO production from Thailand would contribute around 3 million MT. This was putting downward pressure on the CPO price. The monthly average price of CPO in Malaysia during Q1/2019 was as low as 15.90 Baht/Kg (Q1/2018: 19.99 Baht/Kg) (Source: Internal Trade Department). Palm Oil stocks in Malaysia at the end of March 2019 was at 2.9 Million MT (March 2018: 2.3 Million MT).

In Thailand, the monthly average prices of FFB and CPO in Q1/2019 were at 2.67 and 16.04 Baht/Kg respectively (Q1/2018: 3.73 and 20.34 Baht/Kg) which were the lowest levels in more than 13 years. Therefore, the Commerce Ministry proposed several measures which are aimed at absorbing the huge surplus of CPO and push up prices in the Kingdom. These included requirement for the Electricity Generating Authority of Thailand (EGAT) to use 160,000 MT of CPO to produce electricity. The government also put effort to promote Biodiesel B20 and B10. The retail price of B20 has been subsidised at 5 Baht lower than B7 from February until May 2019. B20 is targeted to be available at widespread petrol stations. The next step for policymakers is to mandate B10 instead of B7 by announcing incentives to encourage motorists to shift from B7 to B10 shortly.

### Financial performance analysis and explanation

For the three-month period ended 31 March 2019, the Company's sales decreased by Baht 290.7 million or 20.9% compared to the same period of 2018 while cost of sales ratio decreased from 91.0% to 81.8%. As a result, the company had profit for the period at Baht 89.9 million, an increase of 42.4 million Baht or 89.3%.

In Q1/2019, the subsidiary company (UPOIC) had the overall processed FFB crop increasing by 4.8% from the same period of 2018 which was the same trend with industry overview. Output from own planted area increased by 13.7% from replanting area harvested since last year with a higher bunch weight while that from the concession area decreased by 17.6%.

The subsidiary company (UPOIC) decreased out-grower crops by 27.2% from the same period of 2018. Even though the output of FFB was substantial, the subsidiary bought out-grower crops lower. The proportion of FFB from out-grower and own estate in Q1/2019 was 51.8% and 48.2% of total FFB in processed (Q1/2018: 60.8% and 39.2%). This circumstance was derived from the increase of excessive growth in supply while consumption remained the same, resulting in lowest levels of average price of CPO. In addition, the Crushing Mill was completing to buy FFB making CPO cost more expensive than the market price. Therefore, the subsidiary company slowed the purchase of FFB from out-grower.

For its subsidiary company (UFC), sales decreased Baht 51.5 million or 10.8%, driven by a decrease in sales of beverages Baht 59.8 million. Sales of canned fruits and vegetables increased by Baht 8.7 million. Profit for the period decreased by Baht 15.4 million or 52.4%.

As reasons above, profit attributable to equity holders of the Company for the period was Baht 90.2 million, increasing by Baht 11.4 million or 14.5% (Q1/2018: Baht 78.7 million). Profit ratio for the period was 5.8% (Q1/2018: 3.9%).

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

## Interim Management Discussion and Analysis For the three-month period ended 31 March 2019

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### 1. Revenues

**Sales and service income** : Sales and service income under the Company and its subsidiaries for the period decreased by Baht 451.2 million or 22.7%. Sales and service income of LST decreased by Baht 290.7 million or 20.9%, resulted from the decrease in average selling price and sales volume 11.2% and 9.2% respectively.

For its subsidiaries, sales and service income decreased by Baht 160.4 million or 26.8%.

**Other income** : The Company and its subsidiaries had income other than those generated by normal operation Baht 14.4 million or 0.9% of total revenues (Q1/2018: Baht 16.7 million) due to gain from selling scrap and assets of company Baht 3.6 million, selling by products of subsidiary (UPOIC) Baht 2.4 million, and marketing support by co-packer of subsidiary (UFC) Baht 2 million.

### 2. Expenses

**Cost of sales and service** : The Company and its subsidiaries recorded cost of sales and service for the period at 82.9% of total sales (Q1/2018: 86.6%). Cost of sales and service under LST was 81.8% (Q1/2018: 91.0%) because average unit cost of CPO declined by 16.3%.

Plantation subsidiary (UPOIC) recorded cost of sales and service at 96.1% of total sales (Q1/2018: 77.8%); the major change is that the average selling price per unit of CPO declined by 16.0%.

The subsidiary company (UFC) recorded cost of sales and service at 85.7% of total sales (Q1/2018: 78.7%).

**Selling expenses** : The Company and its subsidiaries recorded selling expenses at Baht 107.8 million (Q1/2018: Baht 124.1 million), decreasing by Baht 16.3 million. Selling expenses of subsidiary (UFC) decreased by Baht 13.2 million due to promotion expenses.

**Administrative expenses** : Administrative expenses was Baht 56.6 million (Q1/2018: Baht 56.9 million), decreasing by Baht 0.4 million.

**Loss from change in fair value of biological assets** : The subsidiary (UPOIC) realized loss from change in fair value of biological assets of Baht 3.9 million (Q1/2018: gain Baht 6.9 million) due to the decrease in price of out-grower FFB and average selling price per unit of CPO 26.0% and 16.0% respectively.

**Finance cost** : Finance cost was recorded at Baht 3.5 million (Q1/2018: Baht 7.0 million).

### 3. Profits

**Gross profit (GP)** : GP of the Company and its subsidiaries declined by Baht 5.0 million or 1.9%. The consolidated GP was 17.1% of total sales (2018: 13.4%). For the Company itself, GP increased by Baht 74.9 million. GP of its subsidiary (UPOIC) decreased by Baht 37.0 million, and GP of UFC decreased by Baht 41.1 million as mentioned above.

**Profit for the period** : Profit attributable to equity holders of the Company for the three-month period ended 31 March 2019 was Baht 90.2 million (Q1/2018: Baht 78.7 million), increasing by Baht 11.4 million or 14.5%, with profit of 5.8% of total sales (Q1/2018: 3.9%).