



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

CORPORATE HEADQUARTERS  
64 Soi Bangna-Trad 25, Bangna,  
Bangkok 10260 Thailand

Tel +66-(0)2-361 8959 - 87  
Fax (Mgmt) +66-(0)2-361 8988 - 89  
Fax (Sales) +66-(0)2-361 8994 - 95

www.lamsoon.co.th

August 14, 2015

**Subject: To submit the Interim Management Discussion and Analysis  
For the three-month period ended 30 June, 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 June 30, 2015, which had the Profit attributable to equity holders of the Company Baht 130 million, compared to the same period of 2014 with the net profit at Baht 189 million, decrease Baht 59 million or 31.3%.

The Company would like to submit the management discussion and financial performance analysis and explanation for the three-month period ended June 30, 2015.

Please be kindly informed.

Sincerely yours,

(Miss Anchalee Suebchantasiri)  
Managing Director

CC: The Securities and Exchange Commission

**REFINERY**

236 Moo 4 Bangpoo Industrial Estate,  
Sukhumvit Road, Phraekasa Sub-District,  
Muang District, Samutprakarn 10280  
Thailand

Tel +66-(0)2-709 3610 - 24  
Fax +66-(0)2-324 0640

**CRUSHING MILL**

99/9 Moo 2 Sikao-kuankun Road,  
Kalasae Sub-district, Sikao District,  
Trang 92150  
Thailand

Tel +66-(0)75-267 268 / 75  
Fax +66-(0)75-267 028 / 265



## Interim Management Discussion and Analysis For the three-month period ended 30 June 2015

---

### **Q2/2015 Industry Overview**

In Q2/2015, the output of FFB in the Kingdom was around at the similar level to the same period of last year, and twofold when compared with Q1/2015. As a result, FFB price has continuously decreased since January – end February from higher than 6 Baht/Kg to below 3 Baht/Kg during April – early May 2015. Hence, on 20 May 2015 the National Oil Palm Policy Committee held the meeting no. 3/2015, and resolved as an urgent measure to introduce the intervention price for Fresh Fruit Bunch (FFB), Fresh Fruit Loose (FFL), and Crude Palm Oil (CPO) by issuing the Notification of the Office of Central Commission on Prices of Goods and Services as follows:-

1. determine to buy FFB and FFL at the same price not lower than 4.20 Baht/Kg. at crushing mills and intermediary FFB collection areas (ramps), based on Oil Extraction Rate (OER) at 17%.
2. determine refineries, bio-diesel producers, and other CPO buyers to buy CPO no lower than 26.20 Baht/Kg. at warehouse of buyers in Bangkok and vicinity area.

Given the Notification, Thailand has lost its potential to export CPO, the amount of which in 2014 was 167,060 MT. Therefore, on 25 June 2015 the Public Warehouse Organisation (PWO) issued the announcement to implement the oil palm and palm oil price stabilization scheme by buying 100,000 MT of CPO from crushing mills at the above recommended price (under certain conditions). The scheme aimed to absorb the excess supply of CPO from the market, according to the resolution of the Committee for Measure and Policy to Assisting Agriculturist (CAA) on 25 May 2015. This was because CPO stock increased sharply from February 2015 at 155,870 MT to 384,798 MT in May 2015. The schedule was to buy CPO since June – November 2015, and to sell off during June 2015 – March 2016 as at the end of the project.

Meanwhile, the world market price of CPO during Q2/2015 remained as low as 2,100 – 2,200 RM/MT, caused by the following factors.

- high soybean production led to an expectation that global soybean oil inventory would be increased, putting pressure on soybean oil price
- petroleum price still at rock bottom due to high crude oil inventory in USA.
- strong US dollar due to Greece debt crisis

However, there is an expectation of the El Nino phenomenon which might happen at the year-end. Its intensity is yet to be established but likely to have a negative impact on the global output of oil palm. Therefore, it is possible that this will lead to the rise in global CPO price during the second half of the year.

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

Sales value for the three-month period ended 30 June 2015 of the Company decreased by 1.4% when compared with the same period of 2014. Cost of sale decreased by 2.1%. Therefore, gross profit for the period was raised by 8 million Baht while net profit decreased by 56 million Baht or 39.9%.

For its subsidiary UPOIC, the overall processed FFB crop during the three-month period ended 30 June 2015 decreased by 34.9% compared to the same period of last year. Output from its own planted area decreased by 29.1%, while concession area decreased by 39.4%. There were influenced by long drought period since 2013 continuing to 2014. Furthermore, there was a lack of rainfall from early November 2014 until May 2015. A subsidiary has been in the process of being considered by the Royal Forest Department to renew the concession land of 13,000 rai which was expired since 1 January 2015. On 27 April 2015, that subsidiary was granted a permission to gather forest product in the Nation Reserved Forest, and started to pay official royalty fees at the rate of 10% of the market price of oil palm and forest maintenance fees, at a rate of double the official royalty fees, when harvesting the oil palm crops planted. As a consequence, FFB harvested in that estate recorded higher cost.

## Interim Management Discussion and Analysis For the three-month period ended 30 June 2015

---

Furthermore, the issuance of the Notification of the Office of Central Commission on Prices of Goods and Services determining to buy FFB and FFL at the same price not lower than 4.20 Baht/Kg, led to the higher cost of outgrower crops in Q2/2015 (which was the peak season) when compared with the same period of last year.

According to above situation, led to total FFB crop of its subsidiary decreased by 34.9%. Therefore, the subsidiary company increased Out-grower crops by 45.6%. As such, of the total volume of FFB processed, which slightly as the same period of 2014, 62.9% was from FFB purchased and 37.1% from own estates (Q2/2014: 43.1% and 56.9%).

For its subsidiary UFC, sales value increased Baht 4 million.

As explained above, the net profit of equity holders of the Company on a consolidated basis for the three-month period ended 30 June 2015 was Baht 130 million, decreased by Baht 59 million (Q2/2014 : Baht 189 million) or 31.3%. Net profit margin for the period was 6% (Q2/2014 : 8.2%).

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 30 June 2015 decreased by Baht 155 million or 6.8% when compared with the same period last year. Sales of LST itself decreased by Baht 24 million or 1.4%, deriving from increase in sales volume 4.2% while decrease in the average selling price 5.4%.

At its subsidiaries, net sales decreased by Baht 131 million or 22.2% due to sales of other palm products decreased.

**Other income :** The Company and its subsidiaries have income other than those generated by normal operation Baht 30 million or 1.4% of total revenues, the same as last year.

### **2. Cost of sales and expenses**

**Cost of sales :** The Company and its subsidiaries recorded cost of sales for the three-month period ended 30 June 2015 at 81.4% of total sales (Q2/2014 : 78.4%). Cost of sales of the Company itself decreased to 89.6% (Q2/2014 : 90.2%) because of CPO price decreased by 5.3%.

Plantation subsidiary UPOIC recorded cost of sales at 74% of total sales, which increase by 18.2% (Q2/2014 : 55.8%), which mainly came from FFB cost of own crop increased 38.5%, resulted to increasing in FFB cost and CPO processing cost per unit.

Subsidiary UFC recorded cost of sales at 69.8% of total sales (Q2/2014 : 76.5%).

**Selling expenses :** The Company and its subsidiaries recorded selling expenses at Baht 177 million (Q2/2014 : Baht 166 million), an increase of Baht 11 million; of the Company itself increased Baht 6 million from promotion expenses and increased Baht 5 million from its subsidiaries by shipping expenses and damage claim from export sales.

**Administrative expenses :** Administrative expenses was Baht 53 million (Q2/2014 : Baht 61 million), decreasing by Baht 8 million, of the Company itself Baht 5 million from employee welfare and Baht 3 million from public relations and legal fee of its subsidiaries.

**Finance cost :** Finance cost was recorded at Baht 11 million (Q2/2014 : Baht 13 million), a decrease of Baht 2 million or 12.8%. This was because of an increase in cash flow from operating result.

## Interim Management Discussion and Analysis

### For the three-month period ended 30 June 2015

---

#### 3. Profits

**Gross profit (GP) :** GP margin decreased to 18.6% (Q2/2014 : 21.6%). For the Company itself, GP increased by Baht 8 million as above reasons. And gross profit of its subsidiaries UPOIC decreased to, the GP of the Company and its subsidiaries decreased by Baht 97 million or 19.8%.

**Net profit :** The net profit attributable to equity holders of the Company for the three-month period ended 30 June 2015 was Baht 130 million (Q2/2014 : Baht 189 million) decreased by Baht 59 million or 31.3%, with net profit margin of 6% (Q2/2014 : 8.2%).