



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

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**Subject: To submit the Interim Management Discussion and Analysis
For the three-month period ended 30 June 2017**

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 30 June 2017, which had the Profit attributable to equity holders of the Company Baht 181 million, compared to the same period of 2016 with the net profit at Baht 104 million, increase Baht 77 million or 74.4%.

The Company would like to submit the management discussion and financial performance analysis and explanation for the three-month period ended 30 June 2017.

Please be kindly informed.

Sincerely yours,

(Miss Anchalee Suebchantasiri)
Managing Director

CC: The Securities and Exchange Commission

Q2/2017 Industry Overview

In Q2/2017 the output of FFB in the Kingdom was much higher than the same period of last year or increased by 20% (estimated), and 50% higher than Q1/2017 (estimated) thanks to the good weather condition and continual raining which improved the output of FFB. As a consequence, the average FFB price (O.E.R. 18%) in Q2/2017 dropped to 4.66 Baht/Kg. (Q2/2016 : 5.77 Baht/Kg.) and CPO price decreased to 25.84 Baht/Kg. (Q2/2016 : 33.90 Baht/Kg.). The price gap difference decreased to 4 Baht/Kg. when compared to CPO price in global market. (Q2/2016 : 11 Baht/Kg.). In Q2/2017, the average global CPO price was at 2,543 Ringgit/MT, the same level as in Q2/2016 (Q2/2016 : 2,585 Ringgit/MT).

FFB and CPO output in the Kingdom increased dramatically. Therefore, the nationwide CPO stock at the end of April increased to 336,321 MT. The Department of Energy Business then announced to increase mandate for biodiesel from B5 to B7, effective on May 8, 2017. This could be presumed to absorb CPO about 25,000 MT/month, hence supporting CPO price pressured by excess supply. Although the demand for CPO in the Kingdom was increased from the B7 mandate announcement, it has been still predicted that the CPO stock in the Kingdom at the end of June will increase continuously to its potential peak at 400,000 - 450,000 MT. which will be the highest record of CPO stock. This will be higher than the optimum stock level for energy security, which should be maintained at the level of 200,000 - 250,000 MT. Therefore, more than 30 palm oil crushing mills in Krabi and Surat Thani collaborated to export 12,000 MT of CPO to India. This was expected to stimulate CPO price and reduce the oversupply of CPO in the country. It has been anticipated that the output of FFB and CPO in the country in this year will increase by 15-20% from last year and the output will break highest record as well.

Financial performance analysis and explanation

For the three-month period ended 30 June 2017, the Company had sales revenue increased by 1.6% compared to the same period of 2016, while the decrease in cost of sales ratio at 88.7%, dividend income decreased by Baht 51 million, resulting in net profit for the period of Baht 102 million, an increase of 11 million Baht or 11.7%.

During the period, the subsidiary (UPOIC) had the overall processed FFB crop decreased by 1.4% from the same period of 2016. Output from its own planted area 1% increase. As, the concession area decreased by 3.5%, Even though the output of FFB was much higher than the same period of last year, replanting in the renewal concession area had been increased 34% and no fertilizing in the concession area which was on renewal process. Moreover, palm trees were older, affected to crop decreased.

The subsidiary company increased out-grower crops by 17.5% from 2016, due to the output of FFB was high and impacted FFB cost decreased. Therefore the subsidiary bought out-grower crops higher. The proportion of FFB from out-grower and own estate was 62.5% and 37.5% of total FFB in processed (Q2/2016: 58.4% and 41.6%).

For its subsidiary UFC, sales value increased Baht 23 million or 3.6%, came from sales of beverages increased by Baht 67 million while sales of canned fruits and vegetables decreased by Baht 45 million. Net profit for the period increased Baht 24 million or 32.2%.

As explained above, the net profit of equity holders of the Company on a consolidated basis for the period was Baht 181 million, increased by Baht 77 million or 74.4% (Q2/2016 : Baht 104 million). Net profit ratio for the period was 8.1% (Q2/2016 : 4.9%).

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

1. Revenues

Interim Management Discussion and Analysis

For the three-month period ended 30 June 2017

Sales : Net Sales under LST and its subsidiaries for the period increased by Baht 76 million or 3.6%. Sales of LST itself increased by Baht 25 million or 1.6%, deriving from increase in sales volume 3.2% while the average selling price decreased 1.5%.

For its subsidiaries, net sales increased by Baht 51 million or 8.6% mainly from sales of coconut juice.

Gain (Loss) from change in fair value of biological assets : the subsidiary (UPOIC) realized gain from the change in fair value of biological assets of Baht 11 million (Q2/2016 : loss Baht 29 million).

Other income : The Company and its subsidiaries have income other than those generated by normal operation Baht 28 million or 1.3% of total revenues (Q2/2016 : Baht 20 million), due to gain from selling assets of its subsidiary.

2. Cost of sales and expenses

Cost of sales : The Company and its subsidiaries recorded cost of sales for the period at 81.3% of total sales (Q2/2016 : 81.7%). Cost of sales under LST decreased to 88.7% (Q2/2016 : 92.5%) because of CPO price down 19.1% lower than the average selling price which decreased only 1.5%.

Plantation subsidiary UPOIC recorded cost of sales at 85.8% of total sales, rose by 17.1% (Q2/2016 : 68.7%), since the price of CPO and FFB decreased 21.6% and 14.6%.

Subsidiary UFC recorded cost of sales at 69.3% of total sales (Q2/2016 : 71.2%).

Selling expenses : The Company and its subsidiaries recorded selling expenses at Baht 171 million (Q2/2016 : Baht 169 million), an increase of Baht 2 million; from goods transportation and loss from exchange rate of its subsidiary.

Administrative expenses : Administrative expenses was Baht 46 million (Q2/2016 : Baht 49 million), decreasing by Baht 3 million, from employee welfare of the company.

Finance cost : Finance cost was recorded at Baht 11 million (Q2/2016 : Baht 11 million).

3. Profits

Gross profit (GP) : GP were 18.7% (Q2/2016 : 18.3%). For the Company itself, GP increased by Baht 59 million as above reasons. While GP of its subsidiaries decreased Baht 36 million; the GP of the Company and its subsidiaries increased by Baht 23 million or 6.1%.

Net profit : The net profit attributable to equity holders of the Company for the three-month period ended 30 June 2017 was Baht 181 million (Q2/2016 : Baht 104 million) increased by Baht 77 million or 74.4%, with net profit of 8.1% (Q2/2016 : 4.9%).