



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 10, 2018

**Subject: To submit the Interim Management Discussion and Analysis
For the three-month period ended 30 June 2018**

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 2018, which had the Profit attributable to equity holders of the Company Baht 126.6 million, compared to the same period of 2017 with the Profit at Baht 180.6 million, decrease Baht 54 million or 29.9%.

The Company would like to submit the management discussion and financial performance analysis and explanation for the three-month period ended 30 June 2018.

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)75-270 690 -91

Fax +66-(0)75-270 692 -93



Interim Management Discussion and Analysis For the three-month period ended 30 June 2018

Q2/2018 Industry Overview

In Q2/2018, the output of FFB in the Kingdom was around 3.86 million MT, lower than the same period of last year at 4.03 million MT or a decrease about 4%. The monthly average prices of FFB and CPO in Q2/2018 therefore decreased to 3.63 and 20.76 Baht/Kg respectively (Q2/2017: 4.66 and 25.84 Baht/Kg respectively) resulted from the abundant output of FFB in the Kingdom while domestic consumption has remained stable and CPO export situation also decelerated when compared to Q1/2018 because local CPO price in Q2/2018 was higher than world market price. CPO stock in Nationwide at the end of June 2018 was 379,672 MT (June 2017: 454,182 MT) which was still higher than the optimum level. Therefore, the government has taken efforts to manage CPO stock to the appropriate level and support price stabilisation of FFB and CPO. By doing so, on 11 May 2018 the National Palm Oil Policy Committee (NPOPC) has passed resolution to agree the Palm Oil Balance Measure by accelerating CPO export, amounting to 300,000 MT within a period of 5 months under a budget of 525 million Baht by supporting compensation to crushing mills in the form of transportation cost not exceeding 1.75 Baht/Kg. In addition, the Energy Policy Administration Committee (EPAC) has agreed with the mandatory usage of Bio-diesel B20 for large trucks, the price of which was set at 3 Baht/Liter lower than the regular diesel, effective on 1 July 2018. However, it is anticipated that the response from consumers would be lower than the expectation because of many limitations that could not be addressed.

Meanwhile, the monthly average world market price of CPO during Q2/2018 was 19.26 Baht/Kg. It was lower than the same period of last year (Q2/2018: 21.99 Baht/Kg) (Source: Internal Trade Department). Although, in May 2018, Crude Oil WTI Futures rose above 70 USD/Barrel for the first time since November 2014 due to the United States moved on reviving sanction against Iran and announced to pull out of the nuclear deal with Iran and various countries. Latterly, however, crude oil price has declined caused by the concern over the trade war between the United States and China after they were unable to settle the dispute through negotiation. This may affect the demand for crude oil including other agricultural products such as soybean. Hence, soybean oil price declined continuously leading to a decrease in world market price of CPO. Moreover, CPO price has been pressured from the beginning of peak season in Malaysia in coming Q3/2018.

Financial performance analysis and explanation

For the three-month period ended 30 June 2018, the Company had sales decreased by 10.9% compared to the same period of 2017, and cost of sales ratio at 87.4%, dividend income increased by Baht 50.9 million, resulting in profit for the period of Baht 145 million, an increase of 42.6 million Baht or 41.6%.

The subsidiary (UPOIC) had the overall processed FFB crop decreased by 3.4% from the same period of 2017. Output from its own planted area 16.7% decreased, while the concession area increased by 8.9%, due to better management of rental area in Khiansa Estate as well as replanting programme which began in 2015, has started to give output.

The subsidiary company decreased out-grower crops by 26.6% from 2017, Even though the output of FFB was high, the subsidiary bought out-grower crops lower. This was due to the large number of CPO crushing mills resulting in the intense competition among buyers of FFB while CPO selling price was not increased to align with FFB cost. FFB purchased from out-grower therefore decreased.

Interim Management Discussion and Analysis For the three-month period ended 30 June 2018

The proportion of FFB from out-grower and own estate was 55.9% and 44.1% of total FFB in processed (Q2/2017: 62.5% and 37.5%).

For its subsidiary UFC, sales decreased Baht 104.2 million or 15.5%, came from sales of beverages decreased by Baht 77.8 million, sales of canned fruits and vegetables decreased by Baht 30.9 million. Profit for the period decreased Baht 33.1 million or 33.8%.

As explained above, profit attributable to equity holders of the Company for the period was Baht 126.6 million, decreased by Baht 54 million or 29.9% (Q2/2017 : Baht 180.6 million). Profit ratio for the period was 6.8% (Q2/2017 : 8.2%).

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

1. Revenues

Sales : Sales under LST and its subsidiaries for the period decreased by Baht 337.4 million or 15.5%. Sales of LST itself decreased by Baht 166.9 million or 10.9%, deriving from increase in sales volume 11% while the average selling price decreased 19.7%.

For its subsidiaries, Sales decreased by Baht 170.5 million or 26.5% mainly from UFC products.

Other income : The Company and its subsidiaries had income other than those generated by normal operation Baht 21.1 million or 1.1% of total revenues (Q2/2017 : Baht 27.8 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 79.4% of Sales (Q2/2017 : 81.5%). Cost of sales under LST was 87.4% (Q2/2017 : 89%) because of CPO price down 22.3% more than the average selling price which decreased 20.3%.

Plantation subsidiary UPOIC recorded cost of sales at 71.5% (Q2/2017 : 85.8%), which mainly came from total FFB cost has dropped.

Subsidiary UFC recorded cost of sales at 72.5% (Q2/2017 : 69.3%).

Selling expenses : The Company and its subsidiaries recorded selling expenses at Baht 165.5 million (Q2/2017 : Baht 165.3 million).

Administrative expenses : Administrative expenses was Baht 45 million (Q2/2017 : Baht 46.2 million), decreasing by Baht 1.2 million, from doubtful debt of its subsidiary.

Loss from impairment of assets : the subsidiary (UPOIC) realized loss from impairment of assets of Baht 28.5 million (Q2/2017 : none).

Loss from change in fair value of biological assets : the subsidiary (UPOIC) realized loss from change in fair value of biological assets of Baht 3.8 million (Q2/2017 : gain Baht 11.2 million).

Finance cost : Finance cost was recorded at Baht 6.3 million (Q2/2017 : Baht 10.7 million).

3. Profits

Gross profit (GP) : GP were 20.6% (Q2/2017 : 18.5%). For the Company itself, GP increased by Baht 4.5 million. While GP of its subsidiaries decreased Baht 27.9 million; the GP of the Company and its subsidiaries decreased by Baht 23.4 million (but GP increased 2.1%)

Profit for the period : Profit attributable to equity holders of the Company for the three-month period ended 30 June 2018 was Baht 126.6 million (Q2/2017 : Baht 180.6 million) decreased by Baht 54 million or 29.9%, with profit of 6.8% (Q2/2017 : 8.2%).