



บริษัท ล้าสูง (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 September, 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 September 30, 2015, which had the Profit attributable to equity holders of the Company Baht 78 million, compared to the same period of 2014 with the net profit at Baht 129 million, decrease Baht 51 million or 39.5%.

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

Q3/2015 Industry Overview

In Q3/2015, the output of FFB in the Kingdom was around the same level as the same period last year, and 30% lower when compared with Q3/2015. Meanwhile, the average prices of Fresh Fruit Bunch (FFB) and Crude Palm Oil (CPO) in the country for Q3/2015 were at 3.90 and 24.34 Baht/Kg. respectively (Q3/2015 : 4.51 and 26.58 Baht/Kg.) (source : the Internal Trade Department), dropping by 13.5% and 8.4% respectively when compared with Q3/2015.

In Q2-Q3/2015, the Office of Central Commission on Prices of Goods and Services has issued three Notifications to recommend the minimum purchase prices of Fresh Fruit Bunch (FFB), Fresh Fruit Loose (FFL), and Crude Palm Oil (CPO) as follows:-

Notification date	No. of days coming into force	The recommended minimum purchase prices of FFB and FFL (OER 17%)	The recommended minimum purchase price of CPO
Q3/2015 20 May 2015	90	4.20	26.20
Q3/2015 8 Sept 2015	30	3.20	20.30
30 Sept 2015	30	3.50	22.08
Q4/2015 21 Oct 2015	30	3.80	23.84

As can be seen above the recommended minimum price in Q3 was lower than in Q2 as the Ministry of Commerce attempted to reflect the price aligning with the world market. Nevertheless, the price of which in Q3 was still too low for Thailand to export CPO anyway. Meanwhile the Public Warehouse Organisation (PWO) by buying 100,000 MT of CPO from crushing mills at 26.20 Baht/Kg. (under certain conditions) still has not implemented the oil palm and palm oil price stabilization scheme. Therefore, the nationwide CPO stock accumulated from 384,798 MT in May 2015 to 447,929 MT in September 2015.

The world market price of CPO during Q3/2015 hit its rock bottom at 1,867 RM/MT when market closed on 26 August, the lowest level for 6.5 years and 18% decrease since the beginning of the year. This was caused by the weakening economic data of China, one of the world's top palm oil consumers. Latest, on 24 October 2015, China's Central Bank moved forward to support the country's stumbling economy by cutting interest rates and banks' reserve requirements for the 3rd time in 3 months after its plunging stock market sent shockwaves around the globe in August. Other negative factors included:-

- 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 a high crude oil inventory in USA.
- strong US dollar

On the other hand, there has been still an expectation of the El Nino phenomenon which might happen at the year-end. It is likely to have a negative impact on the global output of oil palm. Its intensity is yet to be established but it is possible that this will lead to the rise in global CPO price during the first half of 2016.

Financial performance analysis and explanation

Sales value for the three-month period ended 30 September 2015 of the Company decreased by 19.6% when compared with the same period of 2014. Cost of sale decreased by 19%. Therefore, gross profit for the period was dropped by 45 million Baht while net profit decreased by 30 million Baht or 54%.

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

For its subsidiary UPOIC, the overall processed FFB crop during the three-month period ended 30 September 2015 decreased by 12% compared to the same period of last year. Output from its own planted area decreased by 4.2%, while concession area decreased by 26.9%. There were influenced by the concession land of 13,000 rai which was expired since 1 January 2015 which has been in the process of being considered by the Royal Forest Department to renew by a subsidiary, after that, 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. Furthermore, long drought period since 2013 continuing to 2014 including with lack of rainfall from early November 2014 until May 2015.

Furthermore, the issuance of the Notification of the Office of Central Commission on Prices of Goods and Services, have influenced to its subsidiary UPOIC as above mentioned.

According to above situation, led to total FFB crop of its subsidiary decreased by 28.3%. Therefore, the subsidiary company decreased Out-grower crops by 34.2%. As such, of the total volume of FFB processed 67% was from FFB purchased and 33% from own estates (Q3/2014: 73.1% and 26.9%).

For its subsidiary UFC, sales value increased Baht 72 million from coconut juice.

As explained above, the net profit of equity holders of the Company on a consolidated basis for the three-month period ended 30 September 2015 was Baht 78 million, decreased by Baht 51 million (Q3/2014 : Baht 129 million) or 39.5%. Net profit margin for the period was 4.4% (Q3/2014 : 6.3%).

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 September 2015 decreased by Baht 257 million or 12.8% when compared with the same period last year. Sales of LST itself decreased by Baht 329 million or 19.6%, deriving from decrease in sales volume 17.8% and decrease in the average selling price 2.1%.

At its subsidiaries, net sales increased by Baht 72 million or 21.9% due to sales of coconut juice.

Other income : The Company and its subsidiaries have income other than those generated by normal operation Baht 23 million or 1.3% of total revenues.

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 September 2015 at 82.6% of total sales (Q3/2014 : 82.1%). Cost of sales of the Company itself increased to 89.8% (Q3/2014 : 89.1%) because of CPO price dropped just 1.4% below the average selling price fell.

Plantation subsidiary UPOIC recorded cost of sales at 98% of total sales, which increase by 7.8% (Q3/2014 : 90.2%), due to decreasing of concession area and effect from the issuance of the Notification of the Office of Central Commission on Prices of Goods and Services as above mentioned. Moreover a subsidiary has realized the reduction of inventories to net realizable value is received.

Subsidiary UFC recorded cost of sales at 70.8% of total sales (Q3/2014 : 72.8%).

Selling expenses : The Company and its subsidiaries recorded selling expenses at Baht 171 million (Q3/2014 : Baht 162 million), an increase of Baht 9 million; from its subsidiaries by goods transportation and promotion expenses for coconut juice.

Interim Management Discussion and Analysis

For the three-month period ended 30 September 2015

Administrative expenses : Administrative expenses was Baht 55 million (Q3/2014 : Baht 50 million), increasing by Baht 5 million, of the Company itself decreased Baht 3 million from employee welfare while increased Baht 9 million from public relations, loss from retired palm and import duty of its subsidiaries.

Finance cost : Finance cost was recorded at Baht 13 million (Q3/2014 : Baht 14 million), a decrease of Baht 1 million or 4.7%. This was because of an increase in cash flow from operating result.

3. Profits

Gross profit (GP) : GP margin decreased to 17.4% (Q3/2014 : 17.9%). For the Company itself, GP decreased by Baht 45 million as above reasons. And gross profit of its subsidiaries UPOIC decreased too, while GP of UFC increased Baht 30 million; the GP of the Company and its subsidiaries decreased by Baht 54 million or 15.1%.

Net profit : The net profit attributable to equity holders of the Company for the three-month period ended 30 September 2015 was Baht 78 million (Q3/2014 : Baht 129 million) decreased by Baht 51 million or 39.5%, with net profit margin of 4.4% (Q3/2014 : 6.3%).