



บริษัท ลำสูง (ประเทศไทย) จำกัด (มหาชน)

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**Subject: To submit the Interim Management Discussion and Analysis
For the three-month period ended 30 September 2016**

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 September 2016. Total revenues of Baht 2,225 million compared to the same period of 2015 of Baht 1,777 million, representing an increase of 25.3%. Anywise the net profit attributable to the equity holders of the company Baht 80 million, up from Baht 78 million in the same period last year, increased 3.1%.

The Company would like to submit the management discussion and financial performance analysis and explanation for the three-month period ended 30 September 2016.

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 2016

Q3/2016 Industry Overview

In Q3/2016, the output of FFB in the Kingdom was much less than the same period in 2015 or decreasing by 15%. This was due to severe drought caused by the El Nino phenomenon, which caused a dramatic reduction in the output of palm crop as explained in previous Management Discussion and Analysis report. The average FFB price in Q3/2016 increased to 6.03 Baht/Kg. (Q3/2015 : 3.90 Baht/Kg.) and CPO price also increased to 34.18 Baht/Kg. (Q3/2015 : 24.34 Baht/Kg.). The price difference with CPO price in global market was as high as 11-12 Baht/Kg. CPO price in the Kingdom had increased continuously and hit its peak at 38 Baht/Kg. in July 2015. At the month-end the CPO stock in the Kingdom had decreased to 217,180 MT while the maximum retail price of palm olein below 5 liters packing is set by the Ministry of Commerce at 42 Baht/Liter (VAT included).

As a consequence, the Department of Energy Business c/o the Ministry of Energy announced to lower B7 mandates for biodiesel to B5, effective on July 25, to release more cooking palm oil for the food sector. Nonetheless, such reduction of blending mandate was not enough to stimulate significantly lower price of both FFB and CPO. Therefore, the Ministry of Energy announced again in August to further lower biodiesel blending mandate from B5 to B3, effective on August 25. After B3 blending mandate announcement, previous demand of palm oil used for B5 at 68,818 MT/month was then reduced to 41,818 MT/month. These two reductions of CPO blending in biodiesel mandate had the effect of pushing down CPO price in September to the range of 29-30 Baht/Kg.

However, the Office of Agricultural Economics c/o the Ministry of Agriculture and Cooperatives predicts that FFB output in Q4/2016 may increase progressively. In such a scenario, the Ministry of Energy may reinstate biodiesel mandate from B3 to B5, to maintain CPO stock and CPO price in the Kingdom at optimal level.

Financial performance analysis and explanation

Total revenues of the Company and its subsidiaries for the three-month period ended 30 September 2016 was Baht 2,225 million (Q3/2015: Baht 1,777 million), an increase of Baht 449 million or 25.3% compared to the same period last year. Total revenues of the company increased Baht 278 million or 20.1%, while cost of sales rose 25.5%, the company reported a profit for the period of Baht 5 million, down from last year's Baht 21 million or 81.9%.

During the period, the subsidiary (UPOIC) has adopted Accounting Standard : TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant prescribe the accounting treatment for living animals or plants ("biological assets") and the harvested produce of such biological assets ("agricultural produce") related to an agricultural activity. The principles are as follows:

- (1) A biological asset is to be measured at its fair value less costs to sell, both on initial recognition and at the end of each reporting period.
- (2) Agricultural produce is measured at its fair value less costs to sell at the point of harvest.

The change has the effect of increasing the opening balance of retained earnings and equity attributable to non-controlling interests of the subsidiaries in the consolidated financial statements. The cumulative effect of the change in accounting policy is presented as a separate item in statement of changes in shareholders' equity.

The overall processed FFB crop during the three-month period ended 30 September 2016 decreased by 35.6% compared to the same period of last year. Output from its own planted area decreased by 32.5% and concession area decreased by 43.2%. There were influenced by the drought continued; addition of 13,030 rai of concession areas, expired on 1 January 2015, the subsidiary has requested permission to serve in those areas with the relevant government agencies. On 27 April 2015, that subsidiary was granted a permission 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 harvested.

Interim Management Discussion and Analysis

For the three-month period ended 30 September 2016

The subsidiary company decreased Out-grower crops by 56.2%, led to the total FFB crop dropped by 49.4% from 2015. As such, the total volume of FFB processed 58% was from FFB purchased and 42% from own estates (Q3/2015: 67% and 33%).

For its subsidiary UFC, sales value increased Baht 121 million or 22.7% and net profit for the period increased Baht 22 million or 38.4% from Coconut water, canned fruits and vegetables.

As explained above, the net profit of equity holders of the Company on a consolidated basis for the three-month period ended 30 September 2016 was Baht 80 million, increased by Baht 2 million or 3.1% (Q3/2015 : Baht 78 million). Net profit for the period was 3.6% (Q3/2015 : 4.4%).

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

1. Revenues

Sales : Net Sales under LST and its subsidiaries for the period increased by Baht 439 million or 25.1%, compared with the same period last year. Sales of LST itself increased by Baht 286 million or 21.1%, deriving from sales volume decreased by 1.6% while the average selling price increased 23.1%.

For its subsidiaries, net sales increased by Baht 154 million or 38.3% mainly from sales of UFC.

Gain from change in fair value of biological assets : Adoption of Accounting Standard TAS 41 in 2016, the subsidiary (UPOIC) realized gain from the change in accounting for biological assets and agricultural produce of Baht 20 million.

Other income : The Company and its subsidiaries have income other than those generated by normal operation Baht 13 million or 0.6% of total revenues.

2. Expenses

Cost of sales : The Company and its subsidiaries recorded cost of sales for the period at 85.8% of total sales (Q3/2015 : 82.9%). Cost of sales under LST increased to 93% (Q3/2015 : 89.8%) because of CPO price rose 42.5% over the average selling price which increased 26.6%.

Plantation subsidiary UPOIC recorded cost of sales at 99.1% of total sales (Q3/2015 : 98%), since the FFB and CPO price increased.

Subsidiary UFC recorded cost of sales at 70.7% of total sales (Q3/2015 : 70.8%).

Selling expenses : The Company and its subsidiaries recorded selling expenses at Baht 166 million (Q3/2015 : Baht 171 million), a decrease of Baht 5 million; from goods transportation of a subsidiary and warehouse rents of the company.

Administrative expenses : Administrative expenses was Baht 52 million (Q3/2015 : Baht 50 million), increasing by Baht 2 million, from employee welfare of its subsidiaries.

Finance cost : Finance cost was recorded at Baht 10 million (Q3/2015 : Baht 13 million).

3. Profits

Gross profit (GP) : GP reduced to 14.2% (Q3/2015 : 17.1%). For the Company itself, GP decreased by Baht 24 million, while GP of its subsidiaries increased Baht 35 million. The GP of the Company and its subsidiaries increased by Baht 10 million or 3.4%.

Net profit : The net profit attributable to equity holders of the Company for the three-month period ended 30 September 2016 was Baht 80 million (Q3/2015 : Baht 78 million) increased by Baht 2 million or 3.1%, with net profit of 3.6% (Q3/2015 : 4.4%).