



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

February 25, 2015

**Subject:** To submit the Management Discussion and Analysis  
For the year ended 31 December 2014

**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 year ended 31 December 2014, which had the Profit attributable to equity holders of the Company Baht 380.67 million, compared to the year 2013 with the net profit at Baht 250.34 million, increase Baht 130.34 million or 52.07%.

The Company would like to submit the management discussion and financial performance analysis and explanation for the year ended 31 December 2014.

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



### **INDUSTRY OVERVIEW 2014**

Since the end of 2013 the nationwide CPO stock had decreased continuously from 384,818 MT in January to 203,999 MT in Dec. It dropped to the critical level at 154,349 MT in February 2014. CPO price rose to as high as 35.50 Baht/Kg. As a consequence, producers of bottled cooking oil, the price of which has been controlled by the Internal Trade Department at 42 Baht/bottle (VAT included), requested to raise the said ceiling price in line with the higher raw material cost. On 28 February 2014, the Office of Agricultural Economics called a meeting with the Thai Oil Palm Board to discuss the situation, and to consider the importation of CPO. However, taking into consideration the fact that the crop season had just started and given the expectation of higher FFB output, it was decided to hold back the CPO importation. Furthermore, the Ministry of Energy announced that the proportion of CPO to be blended into diesel would be reduced from B5 to B4 effective 1 February 2014, and B7 implementation would be delayed, to mitigate the effect on food industry and the price pressure.

Later, more FFB output started to come onstream in Q2, even reaching the record high at 1.58 million MT in May. The State Government then announced the proportion of CPO to be blended into diesel would be raised from B4 to B7 to absorb supply of 80,000 MT/month. At the year end, there was less FFB output, falling to lower 600,000 MT in Dec 2014. This reduced the nationwide palm oil stock to lower 200,000 MT which became critical again. Therefore, the Cabinet on 20 Jan 2015 endorsed the proposal to import 50,000 MT of crude palm olein to tackle the shortage problem. In addition, the proportion of CPO to be blended into diesel was reduced from B7 to B3.5.

In 2014 the movement of palm oil price in Thailand was rather different from global market. The price gap was quite high i.e. on average local price was higher than global price by around 4 Baht/Kg. Particularly at the year-end, the difference was as high as more than 10 Baht/Kg even though palm oil stock in the Kingdom was ample almost throughout the year (except for January, February, and December in which palm oil stock was low at 150,000 MT approximately). Such circumstance brought an active windfall to oil smugglers as was reported in several media.

### **2014 Financial performance analysis and explanation**

Sales value for the year ended 31 December 2014 of the Company increased by 18.30% when compared with the year 2013. This was due to the 16.41% increase in CPO price and the corresponding increase average selling price. Furthermore, the sales volume increased by 4.55%. Due to the average cost of CPO to the Company increasing greater than the average selling price, gross profit for the year was down to 70.11 million Baht and net profit decreased by 104.92 million Baht or 27.22% in 2014. The major reason was the shortage of CPO during the Q1/2014 while the price of bottled cooking oil could not be raised aligning to the raw material cost, as it has been controlled by the Internal Trade Department.

For its subsidiary UPOIC, the overall own crop for the year 2014 decreased by 19.1% from 2013. Crop from own planted area decreased by 22.9%, and concession area decreased by 15.4%. This is due to prolonged drought period since last year. During the palm bunches; the FFB weight reduction and inflorescence atrophy.

The Out-grower crops decreased by 5.0% in 2014 due to total FFB crop in the market decreased. The overall own crop also decreased by 19.1%. As such, of the total volume of FFB processed, which decreased by 11.5% from 2013, 50.9% was from FFB purchased and 49.1% from own estates. (2013 : 46.9% and 53.1%).

For its subsidiary UFC, Sales value increased by 7.60% when compared with 2013, resulted from an increase in fruit juice and others.

## Management Discussion and Analysis For the year ended 31 December 2014

---

As explained above, the net profit of equity holders of the Company on a consolidated basis for the year ended 31 December 2014 increased 130.34 million Baht to 380.67 million Baht (2013 : 250.34 million Baht), or 52.07% from 2013. Net profit margin for the year was 4.45% (2013 : 3.41%).

Other major components and changes for the year 2014 consolidated financial statements are as follows:-

### 1. Revenues

**Revenue from sales :** Net Sales under LST and its subsidiaries for the year 2014 was 8,451.10 million Baht (2013 : 7,243.41 million Baht) increased by 1,207.68 million Baht or 16.67%. Sales of LST itself increased by 1,072.40 million Baht or 18.30%, deriving from 4.55% increase in sales volume and 13.75% increase in the average selling price due to the increase of CPO cost, the major raw material.

At its subsidiaries, net sales increased by 135.28 million Baht or 9.77% due to sales of other palm products increasing by 7.02 million Baht, sales of electricity power increasing by 5.07 million Baht, sales of canned fruits & vegetables and others decreasing by 173.77 million Baht, sales of fruit juice increasing by 296.96 million.

**Other income :** Income other than those generated by normal operation was 98.84 million Baht or 1.16% of total revenues (2013 : 99.41 million Baht), decrease 0.57 million Baht or 0.57%.

### 2. Cost of sales and expenses

**Cost of sales :** The Company and its subsidiaries recorded cost of sales for the year 2014 at 83.72% of total sales (2013 : 81.93%). Cost of sales of the Company itself increased from 87.80% in 2013 to 90.70% in 2014 because of higher CPO price explained above.

Plantation subsidiary UPOIC recorded cost of sales at 73.12% of total sales (2013 : 75.98%), which mainly came from Crop from own planted area increased by 33.9% since quarter 2/2014, and concession area increased by 20%. While sales for this quarter increased by 65%, deriving from increase in sales volume and average selling price of CPO and CPKO 63.2% and 101% respectively.

For its subsidiary UFC recorded cost of sales at 77.56% of total sales (2013 : 84.97%), which mainly came from cost of fruit juice decrease by 8.90%.

**Selling expenses :** The Company and its subsidiaries recorded selling expenses for the year 2014 at 627.48 million Baht, an increase of 30.54 million Baht (2013 : 596.94 million Baht) incurred by A&P and goods transportation expense from the Company itself.

**Administrative expenses :** Administrative expenses was 264.19 million Baht (2013 : 235.06 million Baht), increasing by 29.17 million Baht. Of the amount, 3.31 million Baht was increased from the Company itself incurred by employee welfare and advisory fee; and 25.82 million Baht was increased from its subsidiary incurred by an amortisation of palm plantation.

For its subsidiary UFC recorded loss on impairment of assets at 105.71 million Baht in 2013.

**Finance cost :** Finance cost was recorded at 52.37 million Baht (2013 : 52.33 million Baht).

### 3. Profits

**Gross profit (GP) :** GP margin decreased to 16.28% (2013 : 18.07%). For the Company itself, GP decreased by 70.11 million Baht because of the higher sales volume and selling price despite the higher

## Management Discussion and Analysis For the year ended 31 December 2014

---

raw material cost. Gross profit of its subsidiaries (UFC) also increased from higher volume while lower cost of beverage sales. The GP of the Company and its subsidiaries increased by 66.59 million Baht or 5.09%.

**Operating profit** : Owing to GP margin increased and also the S&A expenses decreased, this resulted in operating profit increasing by 111.97 million Baht.

**Net profit** : The net profit attributable to equity holders of the Company for the year ended 31 December 2014 was 380.67 million Baht (2013 : 250.34 million) increased by 130.34 million Baht or 52.07%, with net profit margin of 4.45% (2013 : 3.41%).