



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 23, 2018

**Subject: To submit the Management Discussion and Analysis
For the year ended 31 December 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 year ended 31 December 2017, which had the Profit attributable to equity holders of the Company Baht 404 million, compared to the same period of 2016 with the Profit attributable to equity holders of the Company at Baht 331 million, increase Baht 74 million or 22.2%.

The Company would like to submit the management discussion and financial performance analysis and explanation for the year ended 31 December 2017.

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



Management Discussion and Analysis
For the year ended 31 December 2017

Industry Overview 2017

Highlights by Quarter

2017	Production (MT.)		Price (Baht/Kg.)		Highlights
	FFB	CPO	FFB (OER 18%)	CPO	
Q1	2,500,861 (Q1/16 : 2,318,276)	430,673 (Q1/16 : 392,005)	5.80 (Q1/16 : 5.38)	30.78 (Q1/16 : 29.58)	Despite FFB output being higher than the same period of 2016, average price of both FFB and CPO seemed not to decrease. This was because the opening stock of CPO at the beginning of 2017 was much less than the same period of the previous year.
Q2	4,026,236 (Q2/16 : 3,161,912)	705,850 (Q2/16 : 504,655)	4.66 (Q2/16 : 5.77)	25.84 (Q2/16 : 33.90)	The output of FFB in the Kingdom improved due to good weather condition and continual raining. As a consequence, the average FFB and CPO price decreased. The Department of Energy Business then announced an increase in the mandate for biodiesel from B5 to B7, effective on 8 May 2017. This could be presumed to absorb CPO about 25,000 MT/month.
Q3	3,694,953 (Q3/16 : 2,601,645)	657,457 (Q3/16 : 476,368)	4.18 (Q3/16 : 6.32)	22.43 (Q3/16 : 34.18)	Due to the abundant output of FFB in the Kingdom, the FFB and CPO prices decreased continuously, narrowing the price gap with global CPO price. The nationwide CPO stock level was high at 466,080 MT.
Q4	4,693,954 (Q4/16 : 2,395,999)	832,026 (Q4/16 : 431,421)	3.81 (Q4/16 : 5.88)	20.48 (Q4/16 : 30.14)	The local CPO price closed to that of Malaysia. Palm oil crushing mills hence began to focus on export market. The Ministry of Commerce urged the mills to export CPO amount of 200,000 MT to China and India within three months. However, the Indian central government announced an increase of import tariffs on vegetable oil. In particular, that of CPO had been increased from 15% to 30% and refined palm oil increased from 25% to 40%. Then export sales to India were set back.
Total	14,916,005 (2016 : 10,477,832)	2,626,006 (2016 : 1,804,449)	4.62 (2016 : 5.84)	24.88 (2016 : 31.95)	

Source: Figures from Internal Trade Department

Management Discussion and Analysis For the year ended 31 December 2017

Financial performance analysis and explanation

The Company's net profit for the year 2017 was Baht 240 million, an increase of Baht 102 million or 74.1% when compared with the same period of 2016. Sales increased by Baht 323 million or 5.3% Cost of sales decreased from 92.4% to 89.8% and dividend income decreased by Baht 51 million.

Although UPOIC has replanted for older palm trees from its own planted area and the concession area which has been renewed. This is in accordance with the replacement plan set by the subsidiary. However, the distribution of rainfall is consistent since 2016, throughout the year 2017. In addition to ending the drought caused by the El Nino phenomenon. The amount of FFB harvested from its own planted area is approximately the same as that of 2016. Output from its own planted area 2.5% decrease. As, the concession area increased by 4.7%

The subsidiary company increased out-grower crops by 17.5% from 2016. The proportion of FFB from out-grower and own estate was 61% and 39% of total FFB in processed, which increased by 10% (2016: 57.1% and 42.9%).

The subsidiary (UFC) sales decreased by Baht 114 million (4.8%), driven by a decrease in sales of canned fruits and vegetables by Baht 173 million. Beverages increased by baht 53 million and sales from other products increased by baht 6 million.

As explained above, net profit attributable to equity holders of the Company For the year was Baht 404 million, an increase of Baht 74 million or 22.2% (2016: 331 million baht) and a net profit margin of 4.7% (2016: 4%).

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

1. Revenues

Sales and service income : Sales and service income under LST and its subsidiaries increased by Baht 306 million or 3.7%. Vegetable oil increased by Baht 350 million. Shortening and margarine increased by Baht 51 million. Palm and others increased by Baht 30 million, beverages increased by Baht 50 million while canned fruit and vegetable decreased by Baht 171 million. Electricity decreased baht 4 million.

Other income : The Company and its subsidiaries have income other than those generated by normal operation Baht 88 million or 1% of total revenues (2016 : Baht 75 million), due to gain from selling assets of its subsidiary.

2. Expenses

Cost of sales and service : The Company and its subsidiaries recorded cost of sales and service 2017 at 84.8% of total sales (2016 : 84.7%). Cost of sales under LST decreased to 89.8% (2016 : 92.4%) because of CPO price down 21.3% lower than the average selling price which decreased only 7.7%.

Plantation subsidiary UPOIC recorded cost of sales and service at 92.8% of total sales (2016 : 84.2%), since The average selling price per unit of CPO, which is the main product decrease in higher proportion than the average cost per unit of CPO.

Subsidiary UFC recorded cost of sales and service at 74% of total sales and service income (2016 : 73%).

Selling expenses : The Company and its subsidiaries recorded selling expenses at Baht 640 million (2016 : Baht 639 million), an increase of Baht 10 million from goods transportation and promotion expenses of the company. A decrease from commission fee, promotion expenses and goods transportation of its subsidiary.

Administrative expenses : Administrative expenses was Baht 219 million (2016 : Baht 200 million), increasing by Baht 19 million, from annual bonus and employee welfare.

Management Discussion and Analysis

For the year ended 31 December 2017

Loss (Gain) from change in fair value of biological assets : the subsidiary (UPOIC) realized loss from the change in fair value of biological assets of Baht 8 million (2016 : gain Baht 9 million).

Finance cost : Finance cost was recorded at Baht 40 million (2016 : Baht 44 million).

3. Profits

Gross profit (GP) : GP were 15.2% (2016 : 15.3%). For the Company itself, GP increased by Baht 195 million as above reasons. While GP of its subsidiaries (UPOIC) decreased Baht 96 million and UFC decreased Baht 59 million. The GP of the Company and its subsidiaries increased by Baht 40 million or 3.2%.

Profit for the year : Profit attributable to equity holders of the Company for the year ended 31 December 2017 was Baht 404 million (2016 : Baht 331 million) increased by Baht 74 million or 22.2%, with profit of 4.7% (2016 : 4%).