



บริษัท ล่าสูง (ประเทศไทย) จำกัด (มหาชน)

Lam Soon (Thailand) Public Company Limited

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**Subject: To submit the Management Discussion and Analysis
For the year ended 31 December 2019**

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 2019. Total revenues were Baht 6,456.9 million, compared to the year 2018 with revenues at Baht 7,309.1 million, decreasing by 11.7%. The Profit attributable to equity holders of the Company was Baht 482.1 million, compared to the year 2018 with the Profit attributable to equity holders of the Company at Baht 381.7 million, increasing by Baht 100.4 million or 26.3%.

The Company would like to submit the management discussion and financial performance analysis and explanation for the year ended 31 December 2019.

Please be kindly informed.

Sincerely yours,

(Miss Anchalee Suebchantasiri)
Managing Director

CC: The Securities and Exchange Commission

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Certification



Financial performance analysis and explanation

For the 2019 financial year, the Company's sales revenue decreased by 481.1 million Baht or 9.5% compared to the year 2018. While sales volume of vegetable oil products increased by 5.2%, it was not enough to offset the 12.9% decline in the average selling price of vegetable oil products (palm oil in particular). The supply and demand of CPO in the Kingdom increased from 2018 by 15% and 9% respectively (Source: Internal Trade Department). The oil palm harvesting areas increased to around 5.5 million rai. As a result, the supply of fresh fruit bunch (FFB) in the Kingdom grew by 8% in 2019 (Source: Internal Trade Department). During the first nine months, CPO stock nationwide was maintained at a high level pressing down the average monthly price to as low as 16.72 Baht/Kg. The key concerns in the market included the high CPO stock nationwide, anti-palm oil campaigns in EU and the West, the EU applying a new biodiesel levy on biofuel produced from Indonesia, trade tension between the United States and China, and hike in the import duty of palm oil in India.

However, CPO price in the Kingdom started rising from mid-October onwards in tandem with global CPO price. This in turn led to the CPO stock being reduced to the equivalent of 309,181 MT at the end of 2019. In the circumstances, the average CPO price in the Kingdom for 2019 was at 18.23 Baht/Kg (2018: 19.57 Baht/Kg). Because of the lower raw material cost in average, the Company's gross profit in 2019 increased by 255.4 million Baht, and the net profit by 169.1 million Baht or 49.8% from previous year.

Sales of the subsidiary company (UPOIC) in 2019 decreased by 82.8 million Baht or 13.2% from previous year. This was mainly due to average selling prices of CPO and CPKO decreasing by 6.8% and 32.5% respectively as well as the sales volume of CPO increasing by 15.0%. Overall, total revenue from sales still decreased.

In 2019, the total volume of own crop was higher than previous year by 11.4% (FFB from own estates increased by 18.3% as the result of newly planted palm trees and that from concession land increased by 2.0%). Furthermore, the UPOIC's management strictly controlled the plantation operation which enabled the cost of FFB from our own estates to be reduced by 8.3%.

The sales revenue of Universal Food Public Company Limited (UFC) in 2019 was at 1,719.6 million Baht representing a 11.9% decrease (2018: 1,952.0 million Baht). Total export sales revenue contracted by 11.7% to 1,259.0 million Baht in 2019. This was partly due to the depreciation of the USD about 4%. In addition, to maintain sales in key accounts, price discounts and additional trade support were given in line with the downward price pressures on coconut water from competitors.

For reasons stated above, profit attributable to equity holders of the Company for year 2019 was 482.1 million Baht, increasing by 100.4 million Baht or 26.3% (2018: Baht 381.7 million). Profit ratio for the period was 7.5% (2018: 5.2%).

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

1. Revenues

Sales and service income : Sales and service income under LST decreased by 481.1 million Baht or 9.5%, resulted from the decrease in the average selling price 10.2%, while sales volume increased 0.7%. Sales and service income under the Company and its subsidiaries for the period decreased by 806.6 million Baht or 11.2%. Sales revenue in each product group is as table below.

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The Company and subsidiaries

Product/Services by Group	2018	2019	Increase (Decrease)
	Mil. Baht	Mil. Baht	Mil. Baht
Vegetable oil	4,478.7	3,904.2	(574.5)
Margarine and Shortening	634.6	655.0	20.4
Other palm based products	56.3	39.2	(17.1)
Selling Electricity power to PEA	6.4	9.4	3.0
Beverages	1,264.0	1,094.0	(170.0)
Fruits and Vegetables	653.6	586.3	(67.3)
Sauces and Seasonings and others	110.7	109.6	(1.1)
Total Sales - Net	7,204.3	6,397.7	(806.6)

Other income : The Company and its subsidiaries had income other than those generated by normal operation at 59.2 million Baht or 0.9% of total revenues (2018: 65.5 million Baht). Details of which are set out below.

Company	Other income Mil. Baht	Sources
LST	26.8	Sales of palm shell and scrap
UPOIC	17.8	Sales of palm shell and fixed assets
UFC	19.7	Volume rebate from packaging supplier

2. Expenses

Cost of sales and service : The Company and its subsidiaries recorded cost of sales and service for the period at 80.0% of total sales (2018: 84.3%). Cost of sales and service under LST was 79.9% (2018: 86.9%) because average unit cost of CPO declined by 9.6%.

UPOIC recorded cost of sales and service at Baht 443.4 million, decreasing by Baht 126.3 million or 22.2% from 2018 because the average FFB and CPO cost dropped by 15.5% and 16.2% respectively.

UFC recorded cost of sales and service at 84.5% of total sales (2018: 79.0%).

Selling expenses : The Company and its subsidiaries recorded selling expenses at 471.2 million Baht (2018: 518.5 million Baht), decreasing by 47.2 million Baht. UFC's selling expenses decreased by 49.2 million Baht due to lower expenses on advertising and promotion and transportation cost which were aligned with sales decline from previous year. Selling expenses under LST increased by 4.6 million Baht

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mainly from bonus and provision for long-term employee benefits. Under the new regulation on severance pay rate, employees who have worked for a period of 20 years or more are entitled to receive compensation from 300 to 400 days.

Administrative expenses : Administrative expenses of the Company and its subsidiaries were Baht 234.8 million (2018: Baht 209.2 million), increasing by 25.6 million Baht mainly from bonus and provision for long-term employee benefits under the new regulation on severance pay referred to above. UPOIC's administrative expense increased by 12.1 million Baht due to returning 973 rai of land and palm trees to Sor Por Kor and land expensed increment.

Loss from change in fair value of biological assets : UPOIC realised loss from change in fair value of biological assets of 26.9 million Baht (2018: profit 39.3 million Baht) because cost of out-grower FFB decreased by 20.1%, and the average selling price of CPO and CPKO decreased by 6.8% and 32.5% respectively.

Share of profit (loss) from investment in joint venture : In 2019, UPOIC recorded loss from investment in joint venture at 6.8 million Baht (2018: profit 9.5 million Baht). This was attributable to the average FFB price in the Kingdom at 3.05 Baht/Kg (2018: 3.45 Baht/Kg), decreasing by 11.6%. This circumstance caused the farmers to delay planting palm, resulting in the decrease of palm seed sales.

Finance cost : Finance cost was recorded at 13.1 million Baht (2018: 22.7 million Baht), decreasing by 9.5 million Baht. Finance cost under LST decreased by 5.3 million Baht since the average unit cost of CPO declined by 9.6%, resulting in the decrease of trade receivable and inventory during the year and an increase in operating profit. As a result, the company utilised less working capital from outside than previous year, and the finance cost declined accordingly. UFC's finance cost decreased by 4.3 million Baht since long-term loans were paid off, and interest expenses decreased as a result.

3. Profits

Gross profit (GP) : GP of the Company and its subsidiaries increased by 149.7 million Baht or 13.2%. The consolidated GP was 20.0% of total sales (2018: 15.7%). GP of the Company increased by Baht 255.4 million, and GP of its subsidiary (UFC) decreased by 142.3 million Baht.

Profit before income tax expenses : The profit before income tax expenses of the Company and its subsidiaries increased by 119.9 million Baht.

Profit for the year : Profit attributable to equity holders of the Company for the year ended 31 December 2019 was Baht 482.1 million (2018: Baht 381.7 million), increasing by Baht 100.4 million or 26.3%. The profit attributable to equity holders was 7.5% of total revenues (2018: 5.2%).