



### **2015 Overview**

In 2015 the oil palm and palm oil industry faced high volatility in terms of price and volume. At the beginning of the year, CPO stock nationwide reached a critically low level of 117,197 MT, pushing up CPO price to as high as 37 Baht/Kg in mid-January 2015. On 20 January 2015, therefore, the Cabinet approved the importation of Crude Palm Olein (CPL) amounting 50,000 MT to tackle the shortage problem. After the importation was completed in mid-February 2015, higher FFB output in March pressed down the FFB price dramatically from more than 6 Baht/Kg during January – end February 2015 to below 3 Baht/Kg during April – early May 2015. Hence, on 20 May 2015 the National Oil Palm Policy Committee introduced the recommended minimum prices for Fresh Fruit Bunch (FFB), Fresh Fruit Loose (FFL), and Crude Palm Oil (CPO). Several Notifications of the Office of Central Commission on Prices of Goods and Services were issued to give effect to the recommended minimum prices. In total seven such Notifications were issued (for more details please refer to the section “**Industry Overview and Competitiveness**”). Because of this, the average price of palm oil in the Kingdom for 2015 was maintained at a level as high as in 2014. This gave rise to a price gap of over 8 Baht/Kg from the global price, despite high CPO stock nationwide persisting for almost the whole year.



As a result of the intervention, Thailand completely lost its potential to export CPO, the volume of which was 167,060 MT in 2014. On 25 June 2015 the Public Warehouse Organisation (PWO) implemented the oil palm and palm oil price stabilization scheme to buy 100,000 MT of CPO from crushing mills at the recommended price (under certain conditions) to absorb the excess supply. But it could only absorb 2,634 MT. due to some practical problems. At the year end the CPO stock remained as high as 334,692 MT.

In the circumstances, the Company was unable to effectively exercise inventory management in either costing or quantity, both of which are crucial factors for the palm oil business. As a result, its operating result was adversely affected.

### **Company's Performance**

In 2015, your Company recorded sales revenue at 6,329.3 million Baht, decreasing by 602.5 million Baht or 8.7% when compared with 2014 (2014 : 6,931.7 million Baht); gross profit at 655.3 million Baht was a similar level to the previous year (2014 : 645 million Baht). However, your Company received less dividend from a subsidiary. As a consequence, the overall operating performance of your Company deteriorated, recording a net profit of 204.7 million Baht or a decrease of 27% (2014 : 280.5 million Baht).

United Palm Oil Industry Public Company Limited (UPOIC), a 69.96% subsidiary of the Company, recorded a net loss of 12.9 million Baht (2014 : 188.2 million Baht net profit) on revenue of 1,259.6 million Baht (2014 : 1,154.7 million Baht). FFB crops from its own plantations and concession lands fell by 34.1% from 2014 due to the expiry of concessions and other land issues.

At Universal Food Public Company Limited, a 98.76% subsidiary of the Company, its financial performance improved significantly. The sales revenue of 2,045.4 million Baht represents a 11.2% increase (2014 : 1,838.8 million Baht). The net profit of 151.3 million Baht is 64.8% higher (2014 : 91.8 million Baht). This was driven by new product development and marketing initiatives as well as strong export sales growth of UFC Refresh 100% coconut water.

Overall, the consolidated net profit decreased from 380.7 million Baht in 2014 to 311.4 million Baht, or a decrease of 18.2%.

### **Production and Investment**

In 2015, the installation of a new injection and blower PET bottle line along with 1L packing machine at Bangpoo Refinery was substantially completed. Furthermore, we completed the installation of a vacuum system at the refinery to eliminate odor and save energy.

### **Marketing**

YOK Cooking Oil continued to strengthen its leadership in the cooking oil category by extending the product line to soy bean oil to provide more good choice for consumers. Furthermore, the packaging has been modernised. Finally, with the new advance production line having been installed, your Company will be able to increase production capacity to meet the high demand from consumers.

Health consciousness is on the rise, with both public and private sectors promoting healthy living widely. In line with proposition of Naturel healthy cooking oil, which encourages consumers to live a healthy life, your Company launched 100% coconut cooking oil and 100% sunflower seed oil supported by marketing and communication campaign via all media channels e.g. TV commercial, radio, print and online. The campaign, which has been implemented to create awareness, knowledge and to endorse the 'Good for Health' brand image, received a good response from consumers.

For the Margarine and Shortening segments in 2015, your Company continuously implemented marketing campaign to promote Daisy dark chocolate compound. Activities such as Bakery seminar, Bakery workshop, Promotion have been carried out in the consumer and bakery business sectors to create awareness, trial, usage and add value to their products. This has been well received among target consumers and significantly strengthened the leadership of Lam Soon (Thailand) PCL in the bakery business segment.

### **Responsibility to Community, Society and the Environment**

Your Company recognises the importance of community, social and environmental responsibility together with conducting the business. The major projects which have been always conducted on every year include:-

- Local activities to enhance your Company's image and develop relationship between its crushing mill and nearby communities
- Activities to promote and preserve the cultural heritage of Thailand
- Local youth sports day
- Donation for various occasions
- Held the meeting to promote Roundtable on Sustainable Palm Oil (RSPO) Smallholder to palm farmers, and to educate the principles and criteria of RSPO standards according to the Company's project to promote the sustainable plantation, to focus on the fruit quality to supply to the mill, and to measure for the land ownership of farmers in order to conform to the RSPO standard.

### **Human Resources and Corporate Culture**

Employees have been recognised as an important factor to drive forward the Company with sustainable growth and maintaining its leadership in the industry.

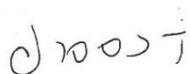
The Company puts emphasis on human resource by continuously developing in the direction to strengthen their capability and competence in order to increase efficiency of the operation and serving customer satisfaction along with building awareness of all staff on the professional ethic. This is to create the Corporate Culture balancing in all aspects of efficiency, transparency, fairness and integrity which all staff is expected to strictly adhere with aim to achieve the goal of the organisation and individual level.

Furthermore, the Company treats equally to all staff without discrimination, and provides appropriate return and welfare, as well as respects the human rights principles according to the international basic standard and law including other relevant rules and regulation. The Company also values the importance of the wellness and occupational and safety of life and assets, working environment and the support of team work. All mentioned above is for all employees as a major part to achieve the ultimate goal in accordance with vision and mission of the Company.

## MESSAGE FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

---

We wish to express my sincere thanks and appreciation to the Board of Directors, our Management team, employees, customers, and all stakeholders for rendering their full-fledged support to the Company for all these years. You all are a crucial part of Lam Soon today's eminent standing in the palm oil business in the Kingdom. We look forward to your continued support as the Company seeks to grow further in Thailand.



Art-ong Jumsai Na Ayudhya, Ph.D.  
The Chairman



Ms. Anchalee Suebchantasiri  
Managing Director