



บริษัท สหอุตสาหกรรมน้ำมันปาล์ม จำกัด (มหาชน)

**United Palm Oil Industry Public Company Limited**

**CORPORATE HEADQUARTERS**

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February 20, 2020

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

**To: Directors and Managers of the Stock Exchange of Thailand**

United Palm Oil Industry Public Company Limited (UPOIC), its subsidiaries and its jointly controlled entity would like to inform the operating result for the year ended December 31, 2019 which had net loss for the period Baht 3.6 million, compared to the same period of 2018 with net profit at Baht 14.0 million, profit decreased Baht 17.6 million or 125.7%.

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

Please be kindly informed.

Sincerely yours,

(Miss Anchalee Suebchantasiri)

Managing Director

**ESTATE OFFICE / MILL**

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A Subsidiary of Lam Soon (Thailand) Public Company Limited

RSPO - 1106151

## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

### Financial Performance and Analysis Explanation

#### Estate operations

In 2019, the total volume of own crop was higher than last 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 company's management had strict control to all plant managements which directly effect to the cost reduction of FFB from our own estates by 8.3%.

The Subsidiary's concession area are approximately 15,103 rai which occupied. The details are as below:-

Location and Land Area	Expiry Date	Remark
1) Khiansa estate 1.1 4,294 rai  1.2 4,294 rai	8 July 2044  when the land allocation to poor people is completed	The Treasury Department had entered into the lease agreement with the Company's subsidiary for 30 years and is valid from 9 July 2014 to 8 July 2044. The Treasury Department granted the subsidiary to exploit the land and pay the determined rental fee.
2) Chaiburi estate 6,515 rai	14 May 2020	The subsidiary has requested the Forest Department to grant a permit to exploit an area which is now under consideration. During the period, the subsidiary was granted a permission to gather forest product in the National Reserved Forest upon the obligation to pay official royalty fees at the rate of 10% of market price of oil palm and forest maintenance fees at a double rate of official royalty fee. However, permission was granted for a period of one year and will be renewed on yearly basis.

#### Mill operations

The Company slowed down its purchase of FFB during the last quarter as a decrease of FFB volume, government policy regarding to B10 and EGAT's project which pushed the FFB price increase. The Company's crushing mill shut down of production for major maintenance. As a result, FFB purchased from out-grower decreased by 3.7% while the output of FFB crops from own estates was higher than the previous year. As a consequence, the total volume of FFB processed slightly increased by 2.7%. In 2019, the proportion of FFB from outside source and own estate were 53.7% and 46.3% of the total volume of FFB processed (2018: 57.3% and 42.7%).

The cost of own crops and purchased crops decreased by 8.3% and 20.1% respectively as the reason mentioned above. The average cost of FFB processed hence dropped 15.5%. Moreover, there was gain from change in fair value of inventory recognized in cost of sales. Therefore, cost of CPO decreased at the higher rate than average selling price. The average selling price of CPO decreased by 6.8%. The Company's gross profit increased by 43.5 million Baht or 73.8%.

The Company and joint venture received promotional privileges from Board of Investment. Details are as follows:-

## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

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1. Electricity produced by biomass power plant of the company received the BOI Certificate no. 1043(2)/2548, dated 29 November 2007 for electricity produced by biomass power plant at 1.2 Megawatt, the Company is exemption from corporate income tax on the operation for 8 years starting from the first date of realising income since 21 August 2015.
2. Oil palm seed propagation of joint venture (Siam Elite Palm Co., Ltd) received the BOI Certificate no. 1262(2)/2550, dated 13 March 2007 for the project of oil palm seed propagation provided exemption of corporate income tax on the operation for 8 years starting from the first date of realising income since 20 February 2014.

### **Sales**

Total sales of the group in 2019 decreased by 82.8 million Baht or 13.2% from the year 2018. 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%. In overall, total revenue from sales still decreased.

### **Cost of Sales and Expenses**

- Cost of sales in 2019 was Baht 443.4 million lower than the prior year Baht 126.3 million or 22.2% caused by average FFB cost dropped by 15.5%.
- Selling expenses decreased by Baht 2.7 million from decrease in goods transportation which is in line with sales volume
- Administrative expenses increased by Baht 12.1 million mainly came from returning 973 rai of land and palm trees to Sor Por Kor and land expenses increment.
- Loss from change in fair value of biological assets Baht 26.9 million (2018: Gain Baht 39.3 million)

### **Consolidated Profits**

Although sales revenue decreased, the cost of sales decreased at a higher rate when compared with sales revenue. The group therefore recorded higher gross profit by 43.5 million Baht or 73.8%. Furthermore, the Company recorded loss from change in fair value of biological assets from adopted TAS 41 Agriculture and Accounting Treatment Guidance for Recognition and Measurement of Bearer Plant including realized share loss from investment in Joint Venture. As a consequence, the group recorded a decrease in net profit after tax of 17.6 million Baht (2018: net profit after tax of 14.0 million Baht).