

## MESSAGE FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

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### **2019 Overview**

In 2019, the global supply of FFB and CPO remained abundant. CPO production increased by 5-6% to 74 million MT (2018 : 70 million MT).

The output of FFB in the Kingdom was around 16.66 million MT, increasing by 8.2% compared to the previous year. In 2019, total CPO production in the Kingdom was the highest recorded at 3 million MT (2018 : 2.8 million MT). Monthly CPO price in the Kingdom in 2019 ranged between 14.76 – 29.75 Baht/Kg. The annual average CPO price was 18.23 Baht/Kg (2018 : 19.57 Baht/Kg).

During the first nine months, CPO stock nationwide was maintained at a high level and the average monthly price was as low as 16.72 Baht/Kg. The key concerns pressing down the market included the palm oil stock nationwide maintaining at a high level, 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 was due to several factors. One was the decision of Indonesia and Malaysia to increase the biodiesel mandate from the current to B20 and B30 respectively. Domestically, the announcement of the CPO purchased for electricity production by Electricity Generating Authority of Thailand (EGAT), and enforcing B10 biodiesel to become the primary diesel from 1 January 2020 onwards with B7 and B20 as alternatives enhanced the stability of CPO price.

To mitigate the volatility of the palm oil business, your Company has taken steps to diversify into other non palm oil businesses. Under the Corporate Strategic Direction, your Company aims to:-

1. do research and development to add value to the bakery ingredient channel with its margarine and shortening.
2. be a leader in healthy consumer food products in the retail channel, under the Yok Extra and Naturel brands for our core grocery range, and the UFC sub-brands for fruit and vegetable-based products. Besides, there are plans to extend the product range into the organic food categories.
3. work with other brand owners to widen our product offering and enhance distribution synergies. In addition, your Company intends to explore new markets overseas. It is expected that such a move would enhance the existing businesses and further create sustainable growth of your Company.

### **Company's Performance**

In 2019, your Company recorded sales revenue at 4,563.0 million Baht, a decrease of 481.1 million Baht or 9.54% (2018: 5,044.1 million Baht); dividends received by the Company from two subsidiaries amounted to 80.4 million Baht, a decrease of 4.5 million Baht.

Your Company recorded gross profit at 916.3 million Baht, an increase of 255.4 million Baht (2018 : 660.9 million Baht). As a consequence, your Company recorded a net profit of 509.0 million Baht, an increase of 169.1 million Baht or 49.8% (2018 : 339.9 million Baht).

United Palm Oil Industry Public Company Limited (UPOIC), a 69.96% subsidiary of the Company, recorded a net loss of 3.6 million Baht (2018 : net profit at 14.0 million Baht) on revenue of 545.8 million Baht (2018 : 628.6 million Baht). FFB crops from its own plantations increased by 18.3% and that from the concession lands increased by 2.0%. As such, the total own crops was higher by 11.4% when compared with the previous year.

At Universal Food Public Company Limited (UFC), a 98.83% subsidiary of the Company, sales revenue decreased by 11.9% to 1,719.6 million Baht (2018 : 1,952 million Baht). Domestic sales revenue fell as demand for juices and canned fruit contracted. Export revenue was adversely impacted by the depreciation of the USD versus Baht (by about 4 %) and intense price pressures from competitors. Consequently, the net profit from operation dropped by 59.42 % to 61.2 million Baht (2018 :151 million Baht).



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Overall, the consolidated profit for the year increased from 388.3 million Baht in 2018 to 480.5 million Baht, or an increase of 23.7%.

### **Production and Investment**

To maintain your Company's competitiveness, the management has been focused on improving and enhancing operational efficiency. To this end, your Company continued to carry out its investment programme in 2019 namely the improvement of energy-saving in its Bangpoo Refinery. A project to reduce consumption of raw material was implemented. The commissioning of all projects was completed and started running in 2019.

UFC invested in an automatic pick-n-place of cans to carton box, fill-n-seal machine for new products in plastic EVOH cups and a new homogenizer for beverages and plant-based milk drinks. All the projects were successfully completed in 2019.

### **Marketing**

Healthy and organic food categories are expected to grow rapidly not only in the global market but also in Thailand. Accordingly, your Company continues to develop product with the perspective and needs of customer.

In response to the trend, your Company, as a leader in the vegetable oil market under the "Yok" brand, seize this opportunity by extending "Naturel" range to healthy products such as Extra Virgin Olive Oil and Olive Oil spray.

Besides, margarine and shortening products have been developed for bakery applications, which have also been identified as a growing market trend. In 2019, your Company launched the new Margarine Zest Gold (fresh butter-flavored formula) in a smaller pack size under the "Convenient and Compact" concept. The value-added product highlights Zest's leadership in the market segment.

Additionally, your Company aims to create more business opportunities by collaborating with business partners who have the potential to offer product by using our access to a broad channel.

### **Sustainability and Community**

Your Company is committed to operate with integrity, transparency, fair treatment towards stakeholder and recognise the importance on the concern for society, and the environment. It is also determined to enhance the quality of the community where it operates. 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 factories and nearby communities
- Activities to promote and preserve the cultural heritage of Thailand
- Local youth sports day
- Donation to various local causes

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

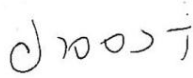
Your Company emphasises human resource management by focusing on supporting and enhancing the employees' working potential to achieve the Company's business goals. Your Company implements Pay for High Performance System to drive the organisation towards an organisation with efficient work and High-Performance Driving Culture.

Taking care of employees is consistently and equally applied at all levels. In 2019, your Company was granted the Outstanding Labour Relations and Labour Welfare Award for the second consecutive year and certified the management system of Thai labour for the fifth straight year. To enhance employee skill with knowledge and ability is a part of Company's goal by encouraging employee to take on new challenging tasks through various projects in order to develop their potential to be ready for competition and change in the present day.

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We wish to express our 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. All of you are a crucial part of Lam Soon eminent standing today in the palm oil business in the Kingdom. We look forward to your continued support in the future.



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



Ms. Anchalee Suebchantasiri  
Managing Director