

November 9, 2018

**Subject: Management Discussion and Analysis for the third quarter and for the nine month period ending 30 September 2018**

**To: The President  
Stock Exchange of Thailand**

Univanich Palm Oil PCL hereby submits a discussion and analysis of the financial statements of the company and its subsidiaries for the third quarter of 2018 and for the nine months ended 30<sup>th</sup> September 2018.

In the third quarter the company incurred a loss of – Baht 9.77 million compared to a profit of Baht 143.07 million in the same quarter of last year.

Factors influencing this exceptional quarterly change included very low palm oil prices and negative fruit crushing margins.

- Our five palm oil crushing mills in Thailand suffered a loss of – Baht 34.6 million compared to a profit of Baht 79.8 million in the same quarter of last year. This loss was due to the high cost of purchased fruit relative to falling palm oil prices.
- Our own plantations also lost – Baht 10.1 million in the third quarter due to low seasonal fruit production and very low palm oil prices.

Thailand's palm oil stocks had risen to 375,000 mt by the end of the third quarter, being more than two months domestic consumption. These very high stocks are depressing domestic palm oil prices. The domestic price is currently about 3.0% higher than export prices so it is not yet possible to export this surplus. The small move to parity with export prices would enable the company to export much of this surplus production. Many announcements of government intervention in support of the domestic price are delaying this export price parity.

For the nine months ending 30<sup>th</sup> September the company's consolidated net profit of Baht 253.02 million was 34.3% lower than Baht 385.35 million in the same period of last year. Most of this difference was due to the result in Q 3 described above, which saw a negative swing of - Baht 114.4 million in the performance of our purchased fruit and crushing mill operations. Although our total palm oil sales volume in the first nine months increased by 36.1% to 178,003 tonnes, the selling price of Crude Palm Oil (CPO) and Palm Kernel Oil (PKO) declined by 23.0% and 16.9% respectively, compared to last year.

Our Philippine subsidiary continued to achieve good early volume growth and achieved a profit of Baht 7.70 million compared to Baht 0.05 million in the same nine months of last year. Our seeds business and biogas electricity continued to be profitable on much slower seasonal growth.

As a result of Thai Accounting Standard (TAS #41) there was a net reduction in profit of -Baht 24.56 million in the first nine months, compared to a net gain of Baht 13.91 million in the same period of last year. This was attributable to fewer fruit bunches recorded on the palms at the end of the third quarter and a write down of unsold seedlings.

Overall, the gross profit margin for the first nine months decreased from 16.1% to an unusually low 12.7%, mainly due to negative fruit crushing margins in Q3.

We are experiencing a return to profitability in the fourth quarter, albeit at a lower level than in the same period last year. High national stocks will continue to weigh on the domestic market until exports begin to reduce the current surplus. Recovering world prices are also expected to support the domestic market in the first half of 2019.

Earnings per share for the first nine months were Baht 0.27 per share compared to Baht 0.41 per share in the first nine months of last year.

Yours faithfully,  
Univanich Palm Oil Public Co., Ltd.

John Clendon  
Managing Director

cc: The Secretary-General  
The Securities and Exchange Commission