

November 14, 2014

**Subject: Management Discussion and Analysis of Third Quarter and Nine Month Period  
Ending 30 September 2014**

**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 2014 and for the nine month period ending 30<sup>th</sup> September 2014.

For the nine month period ending 30<sup>th</sup> September 2014, the consolidated net profit after tax of **Baht 595.06 million**, was 8.8% lower than Baht 652.20 million in the same period of the previous year. The main reasons for this decrease were:

1. Fruit production from the company's own plantations was **16.1% lower** year-on-year (y-o-y). This was mainly due to the closure of the Chean Vanich Estate from 30<sup>th</sup> August 2013 until 11<sup>th</sup> June 2014, following an exclusion order issued by the Forestry Department. This order prevented the company from operating the plantations or the research trials in that concession area while the Administrative Court is considering the company's petitions regarding renewal of the concession lease. Although the exclusion order has since been lifted allowing the company to commence rehabilitation and harvesting operations, the matter is still before the Court.
2. Total FFB processed in our factories was **5.7% lower** y-o-y and the average oil extraction rate was **5.2% lower** y-o-y. This was partly due to the above closure of the Chean Vanich Estate but mainly due to the very dry weather experienced in the first quarter of this year which resulted in lower oil content and lower fruit volumes throughout the region.
3. Export sales of Univanich oil palm seeds were significantly lower y-o-y. This was partly due to the slower rate of new plantings worldwide, following the drop in world oil palm prices from the high levels in 2012, and as a result oil palm disease problems in some Latin American countries, which has affected their demand for oil palm seeds.
4. Income tax expense **increased by 65.2%** y-o-y partly due to the expiry of Board of Investment (BOI) incentives for our TOPI factory but coupled with the payment of tax arrears recently reassessed on the treatment of earlier BOI revenues.

Positive factors which countered the above were:

1. The average selling price of crude palm oil (CPO) was **18.7% higher** and palm kernel oil (PKO) was **70.7% higher** (y-o-y). These higher prices were mainly as a result of the dry weather and low production in the first quarter of 2014. Prices have declined steadily since that high first quarter and by end Q3 were close to last year's much lower average.
2. The receipt of Certified Emission Reduction Certificates (CERs) or Carbon Credits issued by the UN Clean Development Mechanism (CDM) relating to the Univanich reduction of Greenhouse gases in previous years. The CERs were sold as contracted to buyers in Europe.

Net proceeds of sales in first nine months of 2014 increased by 24.7% to Baht 5.164 billion but overall gross margin decreased from 20.9% to 16.2%, mainly due to an increase in low-margin purchases of third party oil to make-up the volume for export shipments.

Third quarter consolidated profit after tax of **Baht 149.27 million**, was 26.1% lower than the third quarter of last year, mainly due to the lower seasonal processing volumes, and lower seed exports.

Earnings per share for the first nine months was **Baht 0.63 per share**, compared to Baht 0.69 per share for the first nine months of last year.

**Outlook:** Oil palm production is expected to remain low during the remainder of this year, with full recovery expected in the first half of 2015. Partly compensating this seasonal downturn will be the expected receipt and sale of another tranche of carbon credits (CERs) in Q4 2014.

At our Philippine subsidiary, Univanich Carmen Palm Oil Corporation, the new crushing mill was commissioned in July and produced 2,542 tonnes CPO in Q3. This level of production will not yet be profitable but it is an encouraging start which has exceeded expectations. Expansion of new farmer oil palm plantings in surrounding North Cotabato province is expected to accelerate now that the new crushing mill is operational.

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

John Clendon  
Managing Director

cc: The Secretary-General  
The Securities and Exchange Commission