

28<sup>th</sup> February 2020**Subject: Management Discussion and Analysis for the year ending 31 December 2019****To: The President**  
**Stock Exchange of Thailand**

In 2019, UVAN's consolidated profit after tax of **Baht 216.85 million** was 28.6% lower than Baht 303.79 million in the previous year.

Most of this reduction occurred during the second half of the year, particularly in the fourth quarter where there was a loss of – Baht 59.41 compared to a profit of Baht 50.77 million in the same quarter of the previous year. Three main reasons for this Q4 loss were as follows :

- (i) **A seasonal trough in palm fruit production.** UVAN's palm oil production in Q4 was only 52% of production in the same quarter of the previous year. Thailand's production in the month of December 2019 was only 4.5% of the annual total whereas in May it had been 12.0% of the annual palm oil production. This monthly variation is normal, although the seasonal pattern of high and low crop quarters will vary from year to year according to previous seasons' rainfall.
- (ii) **Volatile palm oil prices.** As a result of EGAT's intervention in 2019 to purchase crude palm oil as fuel for electricity generation, the domestic price of crude palm oil in the second half of 2019 fluctuated from Baht 21.25/ kg in July to Baht 15.00/ kg in August, to Baht 36.15/ kg in December. These unpredictable prices had an adverse effect on crushing mills which purchase fruit for production of crude palm oil. The price unpredictability also halted the company's exports of crude palm oil to India.
- (iii) **Depressed demand for oil palm seeds and seedlings.** In Q4, our seeds and seedlings business realized a loss of – Baht 9.82 million due to a reduced rate of new plantings and replantings, both locally and internationally. This is also a cyclical business having an average annual profit contribution of Baht 125.8 million over the past five years. We expect this demand for high-quality clonal planting material to recover as international palm oil prices also begin to recover.

As a result of Thai Accounting Standard TAS #41, in 2019 there was a net reduction of – Baht 33.91 million, compared to a net reduction of – Baht 5.68 million in the previous year. This reflected the lower volume of fruit bunches on the palms and seeds & seedlings in production at end December.

Our Philippines joint venture subsidiary, Univanich Carmen Palm Oil Corporation, contributed Baht 8.87 million to UVAN's 2019 profit.

Overall, gross margin for 2019 increased from 12.5% to 14.6% mainly due to higher volumes of own plantation fruit and a reduction of third party oil exports.

EPS from 2019 consolidated net profit was Baht 0.23 per share, compared to Baht 0.32 per share in the previous year.

Yours faithfully,

Univanich Palm Oil Public Company Limited

John Clendon

Group CEO

CC: The Secretary General  
Securities and Exchange Commission