



บริษัท สหอุตสาหกรรมน้ำมันปาล์ม จำกัด (มหาชน)
United Palm Oil Industry Public Company Limited

CORPORATE HEADQUARTERS
64 Soi Bangna-Trad 25, Khwaeng Bangna Nuea,
Khet Bangna, Bangkok 10260 Thailand

Tel +66-(0)2-744 1046
Fax +66-(0)2-361-8988-89
www.upoic.co.th

February 22, 2024

**Subject: To submit the Management Discussion and Analysis
for the year ended December 31, 2023**

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, 2023 which had net profit Baht 203.5 million, compared to the same period of 2022 with net profit at Baht 317.3 million, profit decreased Baht 113.8 million or 35.95%.

The Company would like to submit the management discussion and analysis for the year ended December 31, 2023.

Please be kindly informed.

Sincerely yours,

(Miss Anchalee Suebchantasiri)
Managing Director

ESTATE OFFICE / MILL

98 Moo 6, Nuaklong-Khao Phanom Road,
Huayoong Sub-district, Nuaklong District,
Krabi 81130 Thailand

Tel +66-(0)75-666 075
Fax +66-(0)75-666 072



A Subsidiary of Lam Soon (Thailand) Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2023

Financial Performance and Analysis Explanation

In 2023, the total volume of own crop was less than 2022 by 1.9%; FFB from own estates decreased by 5.5% and FFB from concession land increased by 4%. This increase was attributed to the higher yields of newly planted palm oil in these areas. Additionally, the cost of own crops decreased by 13.4%, primarily due to a decrease in fertilizer costs.

While Thailand's FFB production only decreased slightly by 4% in 2022, the Company's purchases from out growers significantly dropped by 25.6%. This decline can be attributed to mills prioritizing quantity over quality in purchasing FFB, impacting oil extraction rates. Recognizing this, the Company reduced FFB purchases during that period. Besides, the Company has implemented the FFB procurement strategy by prioritizing quality more than quantity. Despite a slight decrease in own estate output, the total volume of FFB processed in 2023 fell by 20.1%. As a result, the proportion of FFB from external sources and own estates shifted to 68.3% and 31.7%, respectively, compared to 73.3% and 26.7% in 2022.

Although a 20.1% decrease in processed FFB volume as out grower FFB purchases in 2023 reduced, the Company's oil extraction rate soared by 10.6%, resulting in a modest 11.7% decrease in CPO output. This was a result from harvesting measures in the Company's own estates and stringent quality control of outsourced FFB.

Following the adjustment, the production cost per unit at the mill rose by 15.2%. Despite this increase, the Company recorded profits from CPO, totaling 3,681 tons, attributable to an enhanced oil extraction rate.

Factors Affecting Operation

1. Revenue from sales and other income

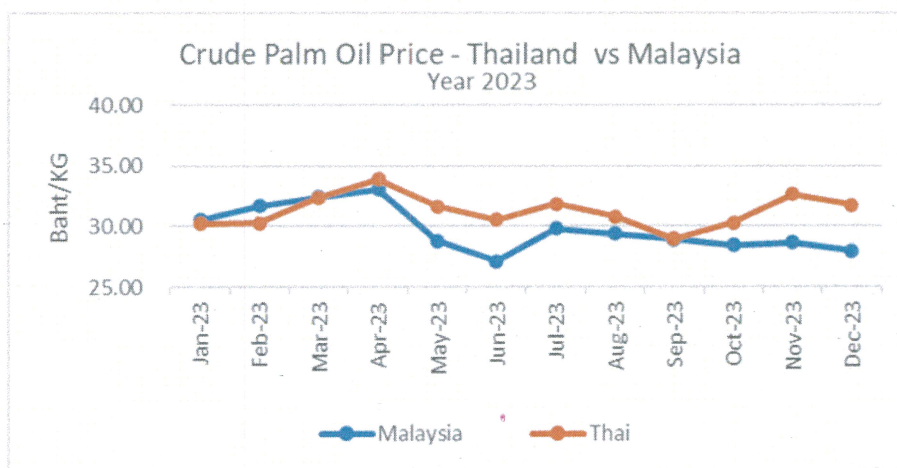
Revenue from sales of the Company and its subsidiaries in 2023 was Baht 756 million and decreased by 33.8% from the previous year for the following reasons:

- (1) The average selling price per unit of CPO and CPKO decreased by 30% and 48.3% respectively because of the normalization of CPO prices in the international market

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2023

following the recovery from the Covid-19 pandemic and the Russia-Ukraine War, which led to a decrease in domestic CPO prices.



- (2) The sales volume of CPO decreased by 17.4% due to the reduction in its production, opposite to CPKO which sale volume increased by 131% because of stock from the previous year.

Other income for the year 2023 decreased by Baht 54.8 million or 49.1% from the year 2022. It was caused by a reduction in by-product sales of Baht 14.4 million. Besides, the high free fatty acid oil decreased by Baht 7.4 million and the maintenance of machines reduced the oil loss to the wastewater ponds. In addition, the Company did not have other income that received in 2022, such as the compensation from insurance for business interruption insurance from a fire accident in August 2020 amounted to Baht 12.3 million together with reversal profit (impairment loss of assets) of Baht 14.5 million. This led to decrease of total revenue by 3.7% (2022: 8.3).

Loss from fair value change of biological assets was Baht 15.1 million (2022: profit 89.3 million). This can be because of the decrease in estimate of palm fruit on tree comparing to the same period last year resulting from drought conditions and reduced rainfall.

2. Cost of Sales and Expenses

- (1) Cost of sales in the year 2023 was Baht 1,237.3 million, or Baht 754.8 million or 37.9% lower than the year 2022 due to the average FFB cost decreased by 30.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2023

(2) Selling expenses decreased by Baht 2.2 million or 5.5% from the year 2022 due to sales volume that reduced by 21.3% while the diesel oil price increased.

(3) Administrative expenses increased by Baht 18.0 million from the year 2022 mainly from the adjustment of management structure to enhance the Company's competitiveness and create a new s-curve of the business.

3. Consolidated Profits

From the cost of sales and expenses mentioned above, in 2023 the Company and its subsidiaries had got a higher gross profit of 16.5 % (2022:11). While, profit from operating activities decreased by Baht 176.22 million or 49.8%. The cause was the loss arising from change in fair value of biological assets according to TAS 41 at Baht 15.1 million (2022: profit 89.3 million baht).

However, the Company recognized the increase in its share of comprehensive income from the joint venture by Baht 26.4 million or 73.1%. While the finance cost rose by Baht 1.8 million from the increased interest rate caused net profit after tax for the Company and its subsidiaries to decline by Baht 113.8 million (2022 : 317.3 million). The net profit margin in 2023 was 13.7% (2022: 14.2%).