

### Management Discussion and Analysis

This interim MD&A report has been prepared based on the consolidated and separate statements of GFPT Public Company Limited (“GFPT” or “the Company”) and its subsidiaries (collectively, “GFPT Group”) for the 1st Quarter 2017 as well as included any significant transactions occurred during the 1st Quarter 2017.

GFPT Group operates fully integrated poultry business involving the production and distribution of feeds, frozen chicken meat, processed chicken and its by-products under both the customers’ and the company’s brand name for both domestic and overseas markets.

GFPT’s strategy is committed to being one of the leader in the poultry processing industry by focusing on the highest quality of food and safety standards throughout our operation, right from the animal feeds through the end products delivered to our customers. Furthermore, the Company maintains its competitive advantage by concentrating on its own farm policy and cost efficiencies through economies of scale.

GFPT Group has policy to mitigate risks from foreign exchange rate volatility, which occurred from export sale and raw material importation by hedging forward contract from several financial institutions.

### A summary of the key operational matters and events for the 1st Quarter 2017

GFPT recorded decent performance for its operations in 1Q2017. Key drivers came from several factors such as growth in chicken export volume and cost advantage from lower major feed material price.

GFPT Group had total revenue from sales of THB 4,119 million in 1Q2017, representing an increase of THB 218 million or 5.60% up from 1Q2016 mainly from the sales of chicken processing business which increased about 12.91%.

The consolidated cost of sales in 1Q2017 slightly increased by THB 37 million or 1.08% up from 1Q2016 from increasing in sales and production volume. The participating profit from associates was THB 82 million in 1Q2017, decreased by THB 24 million or 22.56% comparing to 1Q2016.

Finally, consolidated net profit in 1Q2017 accounted for THB 424 million or equal to EPS of THB 0.34 per share, or 54.29% up from 1Q2016; which reflected another strong performance of GFPT group.

Interim Management Discussion and Analysis for the 1<sup>st</sup> Quarter 2017

## Overall Financial Performance and Profitability

Business Segment	1Q 2017		1Q 2016		Change	
	THB million	%	THB million	%	THB million	%
Chicken Processing	1,846	44.81	1,635	41.91	211	12.91
Feed	858	20.82	922	23.65	(64)	(7.02)
Farm & DOC	1,215	29.51	1,128	28.91	87	7.76
Processed Food	200	4.86	216	5.53	(16)	(7.15)
<b>Total Sales</b>	<b>4,119</b>	<b>100.00</b>	<b>3,901</b>	<b>100.00</b>	<b>218</b>	<b>5.60</b>

## Revenue from Sales

The consolidated revenue from sales for 1Q2017 were THB 4,119 million, an increase of THB 218 million or 5.60% up from 1Q2016, mostly from higher revenue from chicken processing segment which increased by THB 211 million or 12.91% up comparing to 1Q2016. On the other hand, revenue from feed segment declined by THB 64 million or 7.02% down comparing to 1Q2016.

The consolidated revenue from sales in 1Q2017 consisted of chicken processing segment represented 44.81%, feed segment represented 20.82%, farm & DOC segment represented 29.51%, and processed food segment represented 4.86%.

## Chicken Processing Segment

The chicken processing segment recorded a good operational result in 1Q2017, Revenue from chicken processing segment in 1Q2017 consisted of revenue from direct export cooked chicken products and fresh frozen chicken meat, indirect export of chicken meat, and domestic sales of chicken parts, represented 44.81% of total revenue from sales amounting THB 1,846 million, improved by THB 211 million or 12.91% up from 1Q2016.

The Company's total export of chicken products was 7,500 metric tons, a growth of 2,100 metric tons or 38.89% from 1Q2016 mostly from expressively increased in export volume of both fresh frozen chicken meat and cooked chicken products to Japan and Malaysia.

### **Feed Segment**

Revenue from feed segment consisted of revenue from animal feed, fish feed, and shrimp feed, represented 20.82% of total sales, amounting THB 858 million, reduced by THB 64 million or 7.02% down from 1Q2016.

The revenue from feed segment continued declining in 1Q2017 due to intense competition of feed business in Thailand for both animal feed and aquatic feed pressured revenue of feed segment reflecting falling in revenue from animal feed and fish feed about 7.07% and 7.78%, respectively.

### **Farm & DOC Segment**

Revenue from farm & DOC segment consisted of revenue from selling live broilers to GFN, our joint venture, and selling day-old-chicks to both international and domestic market, represented 29.51% of total sales, amounting THB 1,215 million, an increase of THB 87 million or 7.76% up from 1Q2016.

Revenue from selling live broilers to GFN has been snowballing since GFN started its operation in 2010. As a result, sales volume of selling live broilers to GFN in 1Q2017 improved by 3.94% comparing to 1Q2016.

### **Processed Foods Segment**

Revenue from processed food segment consisted of chicken sausage, and other processed chicken products for domestic market, represented 4.86% of total sales. In 1Q2017, the revenue from processed foods was THB 200 million, dropped by THB 16 million, or 7.15% down from 1Q2016.

Revenue from processed food segment in 1Q2017 decreased from lower sales volume of processed food which decreased by 7.79% comparing to 1Q2016.

### **Cost of Sales**

Cost of sales for 1Q2017 was THB 3,490 million, a slight increase of THB 37 million or 1.08% up from 1Q2016 mainly from increasing in sales and production volume primarily on higher sales volume of chicken processing segment as a result of higher sales volume of chicken export. However, the price of major raw material which are corn and soybean, dropped by 10.15% and 3.84%, respectively, overall, the cost of sales for 1Q2017 contributed of 84.72% of total sales, declined from 88.51% in 1Q2016.

### **Gross Profit**

The consolidated gross profit in 1Q2017 was THB 629 million, noticeably improved by THB 181 million or 40.39% up from 1Q2016. Widen gross profit in 1Q2017 was primarily from higher revenue from sales. Additionally, higher sales volume of chicken export reflects higher gross profit margin compared to other type of products. Subsequently, the consolidated gross profit margin contributed of 15.28% in 1Q2017, emphatically increased from 11.49% in 1Q2016.

### **Other Income**

The consolidated other income in 1Q2017 was THB 89 million, increased by THB 25 million or 39.95% up from 1Q2016, predominantly from increasing of gain in foreign exchange rate. The consolidated other incomes in 1Q2017 was 2.16% of net sales, gradually increased from 1.63% in 1Q2016.

### **Selling General and Administrative Expenses**

The consolidated SG&A expenses in 1Q2017 equaled to THB 336 million, increased by THB 42 million or 14.34% up from 1Q2016. The Consolidated SG&A expenses increased since higher freight cost from higher export volume and increasing of transportation cost comparing to 1Q2016. The consolidated SG&A expenses in 1Q2017 were 8.17% of net sales, gently increased from 7.54% in 1Q2016.

### **Share of Profit from Associated Companies**

The consolidated share of profit from associated companies based on the equity method in 1Q2017 was THB 82 million, decreased by THB 24 million, or 22.56% down from 1Q2016 mainly from profit contributed from GFN was THB 17 million, decreased by THB 35 million or 67.05% decreased from 1Q2016. Alternatively, McKey's profit contribution was THB 65 million, considerably increased by THB 11 million or 19.99% up comparing to 1Q2016.

### **Financial Costs**

Financial costs of the group include the interest paid to financial institutions and related persons. The Company's financial costs in 1Q2017 were THB 20 million, dropped by THB 7 million or 23.09% down from 1Q2016 mainly from lower interest expense paid to related parties as the loan outstanding declined from 1Q2016. Costs of funds were 2.19% as at

**Interim Management Discussion and Analysis for the 1<sup>st</sup> Quarter 2017**

March 31, 2017 slightly decreased from December 31, 2016 at 2.79%. The consolidated financial costs of the group in 1Q2017 were 0.50% of net sales, slightly decreased from 0.68% in 1Q2016.

**Income Tax Expenses**

The income tax expense of the Group in 1Q2017 was THB 19 million, equaled to THB 19 million from the same period last year.

**Net Profit**

The consolidated net profit in 1Q2017 was THB 424 million, increased in amount of THB 149 million or 54.29% increased from THB 275 million in 1Q2016. The EPS of 1Q2017 was THB 0.34 per share. The increase in consolidated net profit was primarily driven from the growth in revenue from sales, lower percentage cost of sales from lower price of major raw material, and higher gain in foreign exchange rate comparing to 1Q2016. The consolidated net profit margin in 1Q2017 was 10.29% of net sales, upgraded from 7.04% in 1Q2016.

**Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)**

The consolidated EBITDA in 1Q2017 was THB 766 million, an increase of THB 162 million or increased by 26.72% from 1Q2016. The increasing in consolidated EBITDA resulted from higher revenue from sales mainly from increasing in export sales volume. The EBITDA margin in 1Q2017 was 18.59%, increased from 15.50% in 1Q2016.

Unit: Million Baht

	1Q 2017	1Q 2016	Change	% Change
EBIT	464	324	140	43.31
Depreciation Expense	300	279	21	7.24
Amortization Expense	2	1	1	75.47
EBITDA	766	604	162	26.72
EBITDA Margin (%)	18.59	15.50		3.09

## Financial position

### Assets

For the consolidated financial statements as of March 31, 2017, total assets of the GFPT Group equal to THB 16,615 million including THB 5,160 million (31.06% of total assets) in current assets, THB 7,583 million (45.64% of total assets) in property, plant and equipment (PP&E), THB 2,531 million (15.23% of total assets), in investments in associated companies, THB 514 million (3.09% of total assets) in grandparent chicken and parent chicken and THB 827 million (4.98% of total assets) in investment in property and other non-current assets.

Total assets as at March 31, 2017 increased in amount of THB 455 million or 2.82% up from December 31, 2016 from an increase in inventories of THB 307 million, an increase in PP&E of THB 152 million, and an increase in investments in associates of THB 82 million.

### Liabilities

As at March 31, 2017, total liabilities of the Company and its subsidiaries was THB 5,411 million comprising of current liabilities of THB 3,462 million (63.98% of total liabilities), long-term loans of THB 1,433 million (26.49% of total liabilities), provision for employees benefit of THB 367 million (6.78% of total liabilities), advance received for rental income from associates of THB 97 million (1.80% of total liabilities), and other non-current liabilities of THB 52 million (0.95% of total liabilities).

The total liabilities as at March 31, 2017 slightly increased by THB 30 million or 0.56% up from December 31, 2016 primarily from short-term loans from financial institutions increased in amount of THB 184 million, however, long-term loans from related persons decreased in amount of THB 200 million. All short-term and long-term loans of the group are in THB currency only, thus; The Company has no exposure in foreign currency borrowings.

As at March 31, 2017, trade and other payables of the Company and its subsidiaries was THB 1,010 million, increased in amount of THB 123 million or 13.94% increased from December 31, 2016.

The consolidated interest-bearing liabilities as at March 31, 2017 were THB 3,719 million, decreased from December 31, 2016 in amount of THB 87 million mainly from the lower long-term loans from related persons in amount of THB 200 million.

### **Shareholders' Equity**

As at March 31, 2017, the consolidated shareholders' equity in amount of THB 11,204 million, an increase of THB 425 million or 3.95% up from December 31, 2016; primarily from the increase in retained earnings in amount of THB 424 million. The consolidated book value as at March 31, 2017 was THB 8.94 per share, slightly increased from THB 8.60 per share as at December 31, 2016.

### **Liquidity**

#### **Cash Flow Activities**

For the three-month period ended March 31, 2017, the Company and its subsidiaries generated cash flows from operating activities of approximately THB 495 million, a decrease of THB 74 million from the same period last year.

For the three-month period ended March 31, 2017, the Company and its subsidiaries used net cash in its investing activities in amount of THB 354 million, increased by THB 49 million from the same period last year.

For the three-month period ended March 31, 2017, The Company and its subsidiaries used net cash from its financing activities in an amount of THB 108 million, decreased by THB 270 million from the same period last year.

As at March 31, 2017, the Company and its subsidiaries' cash position in cash and cash equivalents was THB 344 million, decreased of THB 135 million from the same period last year.

#### **Liquidity ratios**

As at March 31, 2017, the liquidity of the Company and its subsidiaries was considerably appropriate for its operations and had strong financial position. As at March 31, 2017, the consolidated current ratio was 1.49 times, slightly decreased from 1.54 times as at December 31, 2016. The quick ratio as at March 31, 2017 was 0.32 times, slightly decreased from December 31, 2016 at 0.37 times.

#### **Short-term Debt Maturity**

As at March 31, 2017, the Company and its subsidiaries' current liabilities of THB 3,462 million comprise of short-term loans from financial institutions of THB 2,115 million, trade payables and other payables THB 1,010 million, other current liabilities THB 166 million, and the current portion of long-term loans from financial institutions of THB 171 million.

## Interim Management Discussion and Analysis for the 1<sup>st</sup> Quarter 2017

Due to its strong position in cash flow and liquidity, the Company and its subsidiaries can repay the debt obligations including trade payables and other payables, short term loans, the current portion of long-term loans from financial institutions, and interest expenses. The repayment can be made from cash flow from operation activities. As at March 31, 2017, the consolidated current ratio was 1.49 times, the net debt to equity ratio was low at 0.33: 1.

The Company and its subsidiaries still had available credit line of the revolving short-term borrowings with financial institutions including bank overdraft in amount of THB 235 million and short-term loans, letters of credit, trust receipts, packing credit and forward foreign exchange contract in amount of THB 6,619 million.

### Capital Structure

The Company and its subsidiaries had strong financial position. As at March 31, 2017, the consolidated debt to equity ratio was 0.48: 1, slightly decreased from 0.50: 1 as at December 31, 2016.

As at March 31, 2017, the consolidated interest-bearing liabilities were THB 3,719 million, decreased from THB 3,806 million as at December 31, 2016. The net debt to equity of the Company was considerably low at 0.33: 1, slightly decreased from 0.35: 1 as at December 31, 2016. In summary, the Company had appropriate capital structure.



Interim Management Discussion and Analysis for the 1<sup>st</sup> Quarter 2017

Consolidated statement of financial position of GFPT Public Company Limited and its subsidiary companies

As at March 31, 2017 and December 31, 2016

	As at Mar 31, 2017		As at Dec 31, 2016		Change	
	MB	%	MB	%	MB	%
Cash and Cash Equivalent	343	2.07	311	1.92	32	10.47
Trade and Other Receivable	838	5.04	933	5.77	(95)	(10.20)
Inventories	3,960	23.83	3,653	22.61	307	8.39
Other Current Assets	19	0.12	18	0.11	1	7.27
<b>Total Current Assets</b>	<b>5,160</b>	<b>31.06</b>	<b>4,915</b>	<b>30.41</b>	<b>245</b>	<b>4.99</b>
Investment in Associated Companies	2,531	15.23	2,449	15.15	82	3.36
Grandparent Chickens	124	0.75	121	0.75	3	2.22
Parent Chickens	390	2.35	407	2.52	(17)	(4.14)
Investment property	359	2.16	360	2.23	(1)	(0.43)
Property, Plant and Equipment	7,583	45.64	7,431	45.98	152	2.05
Deferred Tax Assets	376	2.26	373	2.31	3	0.87
Other Non-Current Assets	92	0.55	104	0.65	(12)	(11.60)
<b>Total Non-Current Assets</b>	<b>11,455</b>	<b>68.94</b>	<b>11,245</b>	<b>69.59</b>	<b>210</b>	<b>1.87</b>
<b>Total Assets</b>	<b>16,615</b>	<b>100.00</b>	<b>16,160</b>	<b>100.00</b>	<b>455</b>	<b>2.82</b>
Short-Term Loans from Financial Institutions	2,115	12.73	1,931	11.95	184	9.51
Trade and Other Payable	1,010	6.08	887	5.49	123	13.94
Current Portion of Advance Received for Rental Income from Associate	8	0.05	8	0.05	0	0
Current Portion of Long-Term Loans	171	1.03	208	1.29	(37)	(18.00)
Other Current Liabilities	158	0.95	164	1.01	(6)	(3.84)
<b>Total Current Liabilities</b>	<b>3,462</b>	<b>20.84</b>	<b>3,198</b>	<b>19.79</b>	<b>264</b>	<b>8.24</b>
Long-Term Loans	1,433	8.63	1,667	10.31	(234)	(14.00)
Provision for Employee Benefit	367	2.21	366	2.26	1	0.26

Interim Management Discussion and Analysis for the 1<sup>st</sup> Quarter 2017

	As at Mar 31, 2017		As at Dec 31, 2016		Change	
	MB	%	MB	%	MB	%
Advance Received for Rental Income from Associate	97	0.58	99	0.62	(2)	(1.97)
Other Non-Current Liabilities	52	0.31	51	0.32	1	1.68
<b>Total Non-Current Liabilities</b>	<b>1,949</b>	<b>11.73</b>	<b>2,183</b>	<b>13.51</b>	<b>(234)</b>	<b>(10.70)</b>
<b>Total Liabilities</b>	<b>5,411</b>	<b>32.57</b>	<b>5,381</b>	<b>33.30</b>	<b>30</b>	<b>0.56</b>
<b>Total Shareholders' Equity</b>	<b>11,204</b>	<b>67.43</b>	<b>10,779</b>	<b>66.70</b>	<b>425</b>	<b>3.95</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>16,615</b>	<b>100.00</b>	<b>16,160</b>	<b>100.00</b>	<b>455</b>	<b>2.82</b>

## Consolidated Income Statement of GFPT Public Company Limited and its subsidiary companies

For the three-month period ended March 31, 2017 and 2016

	1Q 2017		1Q 2016		Change	
	MB	%	MB	%	MB	%
Revenue from Sales	4,119	100.00	3,901	100.00	218	5.60
Cost of Sales	(3,490)	(84.72)	(3,453)	(88.51)	37	1.08
<b>Gross Profit</b>	<b>629</b>	<b>15.28</b>	<b>448</b>	<b>11.49</b>	<b>181</b>	<b>40.39</b>
Other Income	89	2.16	64	1.63	25	39.95
Selling Expenses	(130)	(3.17)	(116)	(2.98)	14	12.26
Administrative Expenses	(206)	(5.00)	(178)	(4.56)	28	15.70
Share of Profit from Associates	82	2.00	106	2.72	(24)	(22.56)
Financial Costs	(20)	(0.50)	(27)	(0.68)	(7)	(23.09)
<b>Profit before Income Taxes</b>	<b>444</b>	<b>10.77</b>	<b>297</b>	<b>7.62</b>	<b>147</b>	<b>49.23</b>
Income Tax Expenses	(19)	(0.45)	(19)	(0.50)	-	-
<b>Profit for The Period</b>	<b>425</b>	<b>10.32</b>	<b>278</b>	<b>7.12</b>	<b>147</b>	<b>52.98</b>
Non-Controlling Interests	(1)	(0.03)	(3)	(0.08)	(2)	(62.72)
<b>Net Profit</b>	<b>424</b>	<b>10.29</b>	<b>275</b>	<b>7.04</b>	<b>149</b>	<b>54.29</b>

Interim Management Discussion and Analysis for the 1<sup>st</sup> Quarter 2017

## Consolidated Cash Flows Statement of GFPT Public Company Limited its subsidiary companies

For the three-month period ended March 31, 2017 and 2016

	Y 2017	Y 2016	Change
	MB	MB	MB
Net Cash Received from Operating Activities	495	569	(74)
Net Cash Used in Investing Activities	(354)	(305)	49
Net Cash Used in Financing Activities	(108)	(378)	(270)
Net Increase (Decrease) in Cash and Cash Equivalents	33	(114)	147
Cash and Cash Equivalent at the Beginning of the Period	311	593	(282)
Cash and Cash Equivalent at the Ending of the Period	344	479	(135)

## Financial Ratios of GFPT Public Company Limited and its subsidiaries

	Y 2017	Y 2016
Current Ratio <sup>1</sup> (times)	1.49	1.54
Quick Ratio <sup>2</sup> (times)	0.32	0.37
Gross Profit Margin <sup>3</sup> (%)	15.28	11.49
Operating Profit Margin <sup>4</sup> (%)	11.27	8.31
Net Profit Margin <sup>5</sup> (%)	10.08	6.94
Debt/Equity Ratio <sup>6</sup> (times)	0.48	0.50
Net Debt/Equity Ratio <sup>7</sup> (times)	0.33	0.35

Interim Management Discussion and Analysis for the 1<sup>st</sup> Quarter 2017

Remark:

- 1) Current Ratio =  $\text{Current Assets} / \text{Current Liabilities}$
- 2) Quick Ratio =  $(\text{Cash} + \text{Short-term Investments} + \text{Accounts Receivable}) / \text{Current Liabilities}$
- 3) Gross Profit Margin =  $(\text{Gross Profit} / \text{Sales}) * 100$
- 4) Operating Profit Margin =  $(\text{EBIT} / \text{Sales}) * 100$
- 5) Net Profit Margin =  $(\text{Net Profit} / \text{Total Revenue}) * 100$
- 6) Debt/Equity Ratio =  $\text{Total Debt} / \text{Equity}$
- 7) Net Debt/Equity Ratio =  $\text{Net Debt} / \text{Equity}$