

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 2nd Quarter 2017 as well as included any significant transactions occurred during the 2nd Quarter 2017.

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 2nd Quarter 2017

GFPT recorded decent performance for its operations in 2Q2017. GFPT Group had total revenue from sales of THB 4,165 million in 2Q2017, representing an increase of THB 263 million or 6.74% up from 2Q2016.

This mainly support by revenue from chicken processing segment amounting THB 1,885 million, improved by THB 224 million or 13.43% up from 2Q2016 mainly from higher export sales volume which increased by 29.31%

The consolidated gross profit was THB 679 million, noticeably improved by THB 139 million or 25.89% up from 2Q2016. The consolidated gross profit margin contributed of 16.32% in 2Q2017, increased from 13.83% in 2Q2016 predominantly from cost advantage from lower major feed material price and the growth in chicken export volume.

In addition, the consolidated EBITDA in 2Q2017 was THB 869 million, an increase of THB 148 million or increased by 20.54% from 2Q2016.

In accordance with all reasons above, it drove net profit to perform at THB 494 million or increased by 29.69% from 2Q2016. The EPS of 2Q2017 was THB 0.39 per share; which reflected another strong performance of GFPT group.

Financial Highlights	2Q 2017		2Q 2016		Change		6M 2017		6M 2016		Change	
	THB million	% Sales	THB million	% Sales	THB million	%	THB Million	% Sales	THB million	% Sales	THB million	%
Revenue from Sales	4,165	100.00	3,902	100.00	263	6.74	8,285	100.00	7,803	100.00	482	6.17
Gross Profit	679	16.32	540	13.83	139	25.89	1,309	15.80	988	12.66	321	32.47
EBITDA	869	20.87	721	18.48	148	20.54	1,635	19.74	1,326	16.99	309	23.36
Net Profit	494	11.85	381	9.76	113	29.69	918	11.08	656	8.40	262	39.98

Financial Performance and Profitability

Business Segment	2Q 2017		2Q 2016		Change		6M 2017		6M 2016		Change	
	THB million	%	THB million	%	THB million	%	THB million	%	THB million	%	THB million	%
Chicken Processing	1,885	45.25	1,661	42.58	224	13.43	3,731	45.03	3,296	42.25	435	13.17
Feed	823	19.76	921	23.59	(98)	(10.60)	1,681	20.29	1,843	23.62	(162)	(8.81)
Farm & DOC	1,251	30.03	1,108	28.39	143	12.92	2,466	29.77	2,236	28.65	230	10.32
Processed Food	206	4.96	212	5.44	(6)	(2.72)	407	4.91	428	5.48	(21)	(4.95)
Total Sales	4,165	100.00	3,902	100.00	263	6.74	8,285	100.00	7,803	100.00	482	6.17

Revenue from Sales

The consolidated revenue from sales for 2Q2017 were THB 4,165 million, an increase of THB 263 million or 6.74% up from 2Q2016, mostly from higher revenue from chicken processing segment which increased by THB 224 million or 13.43% up comparing to 2Q2016. On the contrary, revenue from feed segment weakened by THB 98 million or 10.60% down comparing to 2Q2016.

The consolidated revenue from sales for 6M2017 was THB 8,285 million, improved by THB 482 million or 6.17% as compared to 6M2016 mainly from the increase in chicken processing segment by 13.17%.

The consolidated revenue from sales in 2Q2017 consisted of chicken processing segment represented 45.25%, feed segment represented 19.76%, farm & DOC segment represented 30.03%, and processed food segment represented 4.96%.

Chicken Processing Segment

The chicken processing segment recorded a good operational result in 2Q2017, Revenue from chicken processing segment in 2Q2017 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 45.25% of total revenue from sales amounting THB 1,885 million, improved by THB 224 million or 13.43% up from 2Q2016.

The Company's total export of chicken products was 7,500 metric tons, a growth of 1,700 metric tons or 29.31% from 2Q2016 mostly from expressively increased in export volume of both fresh frozen chicken meat and cooked chicken products to our main markets which are Japan and South Korea. Additionally, sales volume of domestic products increased by 5.13% from 2Q2016.

Revenue from chicken processing segment for 6M2017 was THB 3,731 million, improved by THB 435 million or 13.17% as compared to 6M2016 mainly from the increase in chicken exports volume by 34.23%.

Feed Segment

Revenue from feed segment consisted of revenue from animal feed, fish feed, and shrimp feed, represented 19.76% of total sales, amounting THB 823 million, reduced by THB 98 million or 10.60% down from 2Q2016.

The revenue from feed segment continued declining in 2Q2017 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 shrimp feed about 9.33% and 15.24%, respectively.

Revenue from feed segment for 6M2017 was THB 1,681 million, dropped by THB 162 million or 8.81% down as compared to 6M2016 mainly from the decrease in revenue from animal feed and shrimp feed by 8.16% and 10.83%, 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 30.03% of total sales, amounting THB 1,251 million, an increase of THB 143 million or 12.92% up from 2Q2016.

Revenue from selling DOC of our subsidiaries suggestively improved from 2Q2016 especially for selling of DOC from Krungthai Food PCL. Besides, revenue from selling live broilers to GFN has been snowballing. As a result, sales volume of selling live broilers to GFN in 2Q2017 improved by 3.19% comparing to 2Q2016.

Revenue from farm segment for 6M2017 was THB 2,466 million, increased by THB 230 million or 10.32% up as compared to 6M2016 mainly from higher revenue from selling day-old-chicks and live broilers.

Processed Foods Segment

Revenue from processed food segment consisted of chicken sausage, and other processed chicken products for domestic market, represented 4.96% of total sales. In 2Q2017, the revenue from processed foods was THB 206 million, marginally dropped by THB 6 million, or 2.72% down from 2Q2016.

Revenue from processed food segment in 2Q2017 decreased from lower sales volume of processed food which decreased by 9.30% which partially offset by 6.77% higher selling price comparing to 2Q2016.

Revenue from processed food segment for 6M2017 was THB 407 million, weakened by THB 21 million or 4.95% down as compared to 6M2016 mainly from lower sales volume of processed food for domestic market.

Cost of Sales

Cost of sales for 2Q2017 was THB 3,486 million, an increase of THB 124 million or 3.66% up from 2Q2016 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. Nevertheless, the price of major raw material which are corn dropped by 10.52%, overall, the cost of sales for 2Q2017 contributed of 83.68% of total sales, declined from 86.17% in 2Q2016.

Cost of sales for 6M2017 was THB 6,976 million, rose by THB 161 million or 2.36% as compared to 6M2016 mainly from increasing in sales and production volume.

Gross Profit

The consolidated gross profit in 2Q2017 was THB 679 million, noticeably improved by THB 139 million or 25.89% up from 2Q2016. Widen gross profit in 2Q2017 was predominantly from higher revenue from sales. Furthermore, higher sales volume of chicken export reflects higher gross profit margin compared to other type of products. Consequently, the consolidated gross profit margin contributed of 16.32% in 2Q2017, increased from 13.83% in 2Q2016.

Gross profit for 6M2017 was THB 1,309 million, improved by THB 321 million or 32.47% as compared to 6M2016 mainly from higher revenue from sales, The gross profit margin also increase from 12.66% to 15.80% for 6M2017.

Other Income

The consolidated other income in 2Q2017 was THB 87 million, dropped by THB 9 million or 9.11% down from 2Q2016, predominantly from decreasing of selling eucalyptus. The consolidated other incomes in 2Q2017 was 2.10% of net sales, gradually decreased from 2.47% in 2Q2016.

The consolidated other income for 6M2017 was THB 177 million, improved by THB 22 million or 14.22% up as compared to 6M2016 mainly from increasing of gain in foreign exchange rate.

Selling General and Administrative Expenses

The consolidated SG&A expenses in 2Q2017 equaled to THB 319 million, increased by THB 12 million or 4.22% up from 2Q2016. The Consolidated SG&A expenses increased since higher freight cost from higher export volume and increasing of transportation cost comparing to 2Q2016. The consolidated SG&A expenses in 2Q2017 were 7.67% of net sales, gradually decreased from 7.86% in 2Q2016.

The consolidated SG&A expenses for 6M2017 was THB 656 million, increased by THB 61 million or 10.16% as compared to 6M2016 mainly from higher freight cost from higher export volume and increasing of transportation cost.

Share of Profit from Associated Companies

The consolidated share of profit from associated companies based on the equity method in 2Q2017 was THB 108 million, be the same as 2Q2016. Share of profit contributed from GFN was THB 58 million, increased by THB 11 million or 22.32% up from 2Q2016.

The consolidated share of profit from associated companies for 6M2017 was THB 190 million, dropped by THB 24 million or 11.20% down as compared to 6M2016 mainly from lower profit contributed from GFN.

Financial Costs

Financial costs of the group include the interest paid to financial institutions and related persons. The Company's financial costs in 2Q2017 were THB 19 million, dropped by THB 6 million or 23.57% down from 2Q2016 mainly from lower amount of short-term loans from financial institutions. Costs of funds were 2.21% as at 2Q2017 slightly decreased from 2Q2016 at 2.65%. The consolidated financial costs of the group in 2Q2017 were 0.46% of net sales, slightly decreased from 0.64% in 2Q2016.

Financial costs of the group for 6M2017 was THB 40 million, decreased by THB 12 million or 23.32% down as compared to 6M2016 mainly from lower amount of short-term loans from financial institutions.

Income Tax Expenses

The income tax expense of the Group in 2Q2017 was THB 40 million, increased by THB 11 million or 36.93% up from 2Q2016 mainly from higher corporate income tax expense comparing to 2Q2016.

Income tax expense for 6M2017 was THB 59 million, increased by THB 10 million or 20.49% up as compared to 6M2016 mainly from higher corporate income tax expense.

Net Profit

The consolidated net profit in 2Q2017 was THB 494 million, outstandingly increased in amount of THB 113 million or 29.69% increased from THB 381 million in 2Q2016. The EPS of 2Q2017 was THB 0.39 per share. The increase in consolidated net profit was primarily driven from the growth in revenue from sales and lower percentage cost of sales from lower price of major raw material comparing to 2Q2016. The consolidated net profit margin in 2Q2017 was 11.85% of net sales, upgraded from 9.76% in 2Q2016.

The consolidated net profit for 6M2017 was THB 918 million, strongly improved by THB 262 million or 39.98% as compared to 6M2016 mainly from the growth in revenue from sales, lower percentage cost of sales from lower price of major raw material, and higher other income.

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

The consolidated EBITDA in 2Q2017 was THB 869 million, an increase of THB 148 million or increased by 20.54% from 2Q2016. The increasing in consolidated EBITDA resulted from higher revenue from sales mainly from increasing in export sales volume. The EBITDA margin in 2Q2017 was 20.87%, increased from 18.48% in 2Q2016.

The consolidated EBITDA for 6M2017 was THB 1,635 million, improved by THB 309 million or 23.36% up as compared to 6M2016 mainly from higher revenue from sales and higher other income.

Unit: Million Baht

	2Q 2017	2Q 2016	Change	% Change	6M 2017	6M 2016	Change	% Change
EBIT	555	437	118	27.00	1,020	761	259	33.94
Depreciation Expense	312	283	29	10.43	611	562	49	8.84
Amortization Expense	2	1	1	44.98	4	3	1	59.25
EBITDA	869	721	148	20.54	1,635	1,326	309	23.36
EBITDA Margin (%)	20.87	18.48		2.39	19.74	16.99		2.75

Financial position

Assets

For the consolidated financial statements as of June 30, 2017, total assets of the GFPT Group equal to THB 16,912 million including THB 5,343 million (31.60% of total assets) in current assets, THB 7,664 million (45.32% of total assets) in property, plant and equipment (PP&E), THB 2,590 million (15.31% of total assets), in investments in associated companies, THB 487 million (2.88% of total assets) in grandparent chicken and parent chicken and THB 828 million (4.89% of total assets) in investment in property and other non-current assets.

Total assets as at June 30, 2017 increased in amount of THB 752 million or 4.65% up from December 31, 2016 from an increase in cash and cash equivalents of THB 279 million, an increase in PP&E of THB 233 million, and an increase in inventories of THB 193 million.

Liabilities

As at June 30, 2017, total liabilities of the Company and its subsidiaries was THB 5,588 million comprising of current liabilities of THB 3,365 million (60.23% of total liabilities), long-term loans of THB 1,700 million (30.42% of total liabilities), provision for employees benefit of THB 373 million (6.68% of total liabilities), advance received for rental income from associates of THB 96 million (1.71% of total liabilities), and other non-current liabilities of THB 54 million (0.96% of total liabilities).

The total liabilities as at June 30, 2017 increased by THB 207 million or 3.84% up from December 31, 2016 primarily from trade and other payables increased in amount of THB 607 million, however, short-term loans from financial institutions decreased in amount of THB 271 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 June 30, 2017, trade and other payables of the Company and its subsidiaries was THB 1,494 million, increased in amount of THB 607 million or 68.48% increased from December 31, 2016.

The consolidated interest-bearing liabilities as at June 30, 2017 were THB 3,493 million, decreased from December 31, 2016 in amount of THB 313 million mainly from the lower short-term loans from financial institutions in amount of THB 271 million.

Shareholders' Equity

As at June 30, 2017, the consolidated shareholders' equity in amount of THB 11,324 million, an increase of THB 545 million or 5.06% up from December 31, 2016; primarily from the increase in retained earnings in amount of THB 542 million. The consolidated book value as at June 30, 2017 was THB 9.03 per share, slightly increased from THB 8.60 per share as at December 31, 2016.

Liquidity

Cash Flow Activities

For the six-month period ended June 30, 2017, the Company and its subsidiaries generated cash flows from operating activities of approximately THB 1,621 million, increased by THB 560 million from the same period last year.

For the six-month period ended June 30, 2017, the Company and its subsidiaries used net cash in its investing activities in amount of THB 613 million, decreased by THB 22 million from the same period last year.

For the six-month period ended June 30, 2017, The Company and its subsidiaries used net cash from its financing activities in an amount of THB 729 million, increased by THB 24 million from the same period last year.

As at June 30, 2017, the Company and its subsidiaries' cash position in cash and cash equivalents was THB 590 million, increased by THB 277 million from the same period last year.

Liquidity ratios

As at June 30, 2017, the liquidity of the Company and its subsidiaries was considerably appropriate for its operations and had strong financial position. As at June 30, 2017, the consolidated current ratio was 1.59 times, slightly increased from 1.54 times as at December 31, 2016. The quick ratio as at June 30, 2017 was 0.42 times, slightly increased from December 31, 2016 at 0.37 times.

Short-term Debt Maturity

As at June 30, 2017, the Company and its subsidiaries' current liabilities of THB 3,365 million comprise of short-term loans from financial institutions of THB 1,660 million, trade payables and other payables THB 1,494 million, other current liabilities THB 78 million, and the current portion of long-term loans from financial institutions of THB 133 million.

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 June 30, 2017, the consolidated current ratio was 1.59 times, the net debt to equity ratio was low at 0.31: 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 242 million and short-term loans, letters of credit, trust receipts, packing credit and forward foreign exchange contract in amount of THB 6,795 million.

Capital Structure

The Company and its subsidiaries had strong financial position. As at June 30, 2017, the consolidated debt to equity ratio was 0.49: 1, slightly decreased from 0.50: 1 as at December 31, 2016.

As at June 30, 2017, the consolidated interest-bearing liabilities were THB 3,493 million, decreased from THB 3,806 million as at December 31, 2016. The net debt to equity of the Company was considerably low at 0.31: 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 2nd Quarter 2017

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

As at June 30, 2017 and December 31, 2016

	As at Jun 30, 2017		As at Dec 31, 2016		Change	
	MB	%	MB	%	MB	%
Cash and Cash Equivalent	590	3.49	311	1.92	279	89.79
Trade and Other Receivable	887	5.25	933	5.77	(46)	(4.91)
Inventories	3,846	22.74	3,653	22.61	193	5.28
Other Current Assets	20	0.12	18	0.11	2	12.36
Total Current Assets	5,343	31.60	4,915	30.41	428	8.72
Investment in Associated Companies	2,590	15.31	2,449	15.15	141	5.76
Grandparent Chickens	127	0.75	121	0.75	6	5.01
Parent Chickens	360	2.13	407	2.52	(47)	(11.52)
Investment property	357	2.11	360	2.23	(3)	(0.87)
Property, Plant and Equipment	7,664	45.32	7,431	45.98	233	3.14
Deferred Tax Assets	379	2.24	373	2.31	6	1.33
Other Non-Current Assets	92	0.54	104	0.65	(12)	(11.50)
Total Non-Current Assets	11,569	68.40	11,245	69.59	324	2.88
Total Assets	16,912	100.00	16,160	100.00	752	4.65
Short-Term Loans from Financial Institutions	1,660	9.81	1,931	11.95	(271)	(14.05)
Trade and Other Payable	1,494	8.83	887	5.49	607	68.48
Current Portion of Advance Received for Rental Income from Associate	8	0.05	8	0.05	-	-
Current Portion of Long-Term Loans	133	0.79	208	1.29	(75)	(35.98)
Other Current Liabilities	70	0.42	164	1.01	(94)	(57.06)
Total Current Liabilities	3,365	19.90	3,198	19.79	167	5.22
Long-Term Loans	1,700	10.05	1,667	10.31	33	2.00
Provision for Employee Benefit	373	2.21	366	2.26	7	1.97
Advance Received for Rental Income from Associate	96	0.56	99	0.62	(3)	(3.95)

	As at Jun 30, 2017		As at Dec 31, 2016		Change	
	MB	%	MB	%	MB	%
Other Non-Current Liabilities	54	0.32	51	0.32	3	6.06
Total Non-Current Liabilities	2,223	13.14	2,183	13.51	40	1.82
Total Liabilities	5,588	33.04	5,381	33.30	207	3.84
Total Shareholders' Equity	11,324	66.96	10,779	66.70	545	5.06
Total Liabilities and Shareholders' Equity	16,912	100.00	16,160	100.00	752	4.65

Consolidated Income Statement of GFPT Public Company Limited and its subsidiary companies
For the three-month period ended June 30, 2017 and 2016

	2Q 2017		2Q 2016		Change	
	MB	%	MB	%	MB	%
Revenue from Sales	4,165	100.00	3,902	100.00	263	6.74
Cost of Sales	(3,486)	(83.68)	(3,362)	(86.17)	124	3.66
Gross Profit	679	16.32	540	13.83	139	25.89
Other Income	87	2.10	96	2.47	(9)	(9.11)
Selling Expenses	(133)	(3.20)	(120)	(3.07)	13	11.25
Administrative Expenses	(186)	(4.47)	(187)	(4.79)	(1)	(0.28)
Share of Profit from Associates	108	2.58	108	2.76	-	-
Financial Costs	(19)	(0.46)	(25)	(0.64)	(6)	(23.57)
Profit before Income Taxes	536	12.87	412	10.56	124	30.10
Income Tax Expenses	(40)	(0.96)	(29)	(0.75)	11	36.93
Profit for The Period	496	11.91	383	9.81	113	29.58
Non-Controlling Interests	(2)	(0.06)	(2)	(0.05)	-	-
Net Profit	494	11.85	381	9.76	113	29.69

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

For the six-month period ended June 30, 2017 and 2016

	6M 2017		6M 2016		Change	
	MB	%	MB	%	MB	%
Revenue from Sales	8,285	100.00	7,803	100.00	482	6.17
Cost of Sales	(6,976)	(84.20)	(6,815)	(87.34)	161	2.36
Gross Profit	1,309	15.80	988	12.66	321	32.47
Other Income	177	2.13	155	1.98	22	14.22
Selling Expenses	(264)	(3.18)	(236)	(3.02)	28	11.75
Administrative Expenses	(392)	(4.73)	(359)	(4.61)	33	9.12
Share of Profit from Associates	190	2.29	214	2.74	(24)	(11.20)
Financial Costs	(40)	(0.48)	(52)	(0.66)	(12)	(23.32)
Profit before Income Taxes	980	11.83	710	9.09	270	38.12
Income Tax Expenses	(59)	(0.71)	(49)	(0.62)	10	20.49
Profit for The Period	921	11.12	661	8.47	260	39.42
Non-Controlling Interests	(3)	(0.04)	(5)	(0.07)	(2)	(33.02)
Net Profit	918	11.08	656	8.40	262	39.98

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

For the six-month period ended June 30, 2017 and 2016

	Y 2017	Y 2016	Change
	MB	MB	MB
Net Cash Received from Operating Activities	1,621	1,061	560
Net Cash Used in Investing Activities	(613)	(635)	(22)
Net Cash Used in Financing Activities	(729)	(705)	24
Net Increase (Decrease) in Cash and Cash Equivalentents	279	(279)	558
Cash and Cash Equivalent at the Beginning of the Period	311	592	(281)
Cash and Cash Equivalent at the Ending of the Period	590	313	277

Financial Ratios of GFPT Public Company Limited and its subsidiaries

	Y 2017	Y 2016
Current Ratio ¹ (times)	1.59	1.54
Quick Ratio ² (times)	0.42	0.37
Gross Profit Margin ³ (%)	16.32	13.83
Operating Profit Margin ⁴ (%)	13.33	11.21
Net Profit Margin ⁵ (%)	11.61	9.56
Debt/Equity Ratio ⁶ (times)	0.49	0.50
Net Debt/Equity Ratio ⁷ (times)	0.31	0.35

Remark:

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