

Management Discussion and Analysis

The interim MD&A report has been prepared based on the consolidated and separate statements (collectively, "GFPT Group" or "the Group") as described in Note 3 Basis of preparation of the interim financial information and accounting policy.

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 with several financial institutions.

Overall Financial Performance and Profitability

GFPT Group had total revenue from sales of THB 4,411 million in 3Q2016, representing an increase of THB 174 million or 4.08% comparing to the same timeframe in 2015, mainly from higher revenue from chicken processing segment which improved in amount of THB 149 million or 8.75%, mostly from higher sales volume of chicken export and revenue from farm segment rose by THB 82 million or 7.22% mainly from higher sales volume of live broilers to GFN.

As compared to 2Q2016, total revenue of the Group increased by THB 509 million or 13.02%, due to higher revenue from feed segment which increased by THB 196 million or 21.20% and higher revenue from chicken processing segment which increased by THB 183 million or 11.01%

GFPT Group operates 4 distinct business segments comprise of 41.81% chicken processing, 25.30% feed, 27.37% farm and day-old-chicks, and 5.52% processed food.

Table 1: Consolidated Revenue Breakdown by Business Segment

Business Segment	3Q 2016		3Q 2015		Change		2Q 2016		Change	
	THB Million	%	THB million	%	THB million	%	THB million	%	THB million	%
Chicken Processing	1,845	41.81	1,696	40.03	149	8.75	1,662	42.58	183	11.01
Feed	1,116	25.30	1,198	28.26	(82)	(6.84)	920	23.59	196	21.20
Farm & DOC	1,207	27.37	1,125	26.56	82	7.22	1,108	28.39	99	8.95
Processed Food	243	5.52	218	5.15	25	11.51	212	5.44	31	14.65
Total Sales	4,411	100.00	4,237	100.00	174	4.08	3,902	100.00	509	13.02

Chicken Processing Segment:

The chicken processing segment experienced a good result in 3Q2016, Revenue from chicken processing segment in 3Q2016 consisted of revenue from chicken direct export, chicken indirect export, and chicken domestic, represented 41.81% of total revenue from sales amounting THB 1,845 million, improved by THB 149 million or 8.75% from 3Q2015. The Company's total export of chicken processing was 8,000 metric tons, a growth of 2,700 metric tons or 50.94% from 3Q2015 mostly increase in processed chicken products to Japan.

As compared to 2Q2016, revenue from chicken processing segment improved by THB 183 million or 11.01% mainly from the increase in chicken exports volume to Japan.

Feed Segment:

Revenue from feed segment in 3Q2016 consisted of revenue from animal feed, fish feed, and shrimp feed, represented 25.30% of total sales amounting THB 1,116 million, dropped by THB 82 million or 6.84% from 3Q2015. The domestic feed segment of the Group continued declining trend in 3Q2016 due to high competition of feed business in Thailand for both animal feed and aquatic feed pressured revenue of feed segment of the Group. The decrease in feed revenue was predominantly from lower volume sale in shrimp feed and animal feed by 19.10% and 4.04%, respectively.

As compared to 2Q2016, revenue from feed segment rose by THB 196 million or 21.20% mainly from the increase in fish feed and shrimp feed sales volume by 34.02% and 28.57%, respectively.

Farm & DOC Segment:

Revenue from farm & DOC segment in 3Q2016 consisted of revenue from selling live broilers to GFN, our joint venture and selling day-old-chicks to domestic market, represented 27.37% of total sales amounting THB 1,207 million, increased by THB 82 million or 7.22% from 3Q2015. The increase in revenue was predominantly from higher sales volume of live broilers to GFN which increased by 10.66%.

As compared to 2Q2016, revenue from farm & DOC segment rose by THB 99 million or 8.95% mainly from higher sales volume of live broilers to GFN which increased by 7.57%.

Processed Food Segment:

Revenue from processed food segment consisted of chicken sausage, and other processed chicken products especially for domestic consumers, represented 5.52% of total sales. The revenue from processed foods was THB 243 million, increased by THB 25 million, or 11.51% from 3Q2015 mainly from higher sales volume of processed food which increased by 22.73%.

As compared to 2Q2016, revenue from processed food segment improved by THB 31 million or 14.65% mainly from higher sales volume of processed food which increased by 25.58%.

Cost of Sales

Cost of sales for 3Q2016 was THB 3,662 million, a decrease of THB 79 million or 2.12% from 3Q2015 from lower price of major raw material of feed which are corn and soybean meal which decreased by 13.64% and 7.45%, respectively. Additionally, higher sales volume of chicken export facilitate lower overall cost of sales. Consequently, cost of goods sold in 3Q2016 contributed of 83.03% of total sales; lessen from 88.29% in 3Q2015.

As compared to 2Q2016, cost of sales rose by THB 299 million or 8.88% mainly from the higher sales volume of all business segment.

Gross Profit

The consolidated gross profit in 3Q2016 was THB 749 million, appreciably improved by THB 253 million or 50.86% from 3Q2015. Widen gross profit in 3Q2016 was primarily from higher revenue from sales and lower cost of sales. Moreover, higher sales volume of chicken export reflect higher margin compared to other type of products. Consequently, the gross profit margin of the Group increased from 11.71% in 3Q2015 to 16.97% in 3Q2016.

As compared to 2Q2016, gross profit improved by THB 210 million or 38.88% mainly from higher revenue from sales. The gross profit margin also increase from 13.81% to 16.97%.

Other Income

Other income in 3Q2016 was THB 86 million, increased by THB 25 million or 39.20% from 3Q2015. Consequently, the consolidated other income in 3Q2016 was 1.95% of net sales, slightly rose up from 1.46% in 3Q2015. Other income primarily increased from higher gain from exchange rate and selling eucalyptus of our subsidiaries.

As compared to 2Q2016, other income reduced by THB 11 million or 11.84% mainly from the decrease of gain from selling eucalyptus of our subsidiaries.

Selling General and Administrative Expenses

The consolidated SG&A expenses in 3Q2016 were THB 310 million, increased by THB 23 million or 7.67% from 3Q2015. SG&A expenses increased from higher freight cost due to higher export volume and higher miscellaneous cost. SG&A as a percentage of revenue slightly increased to 7.02% in 3Q2016, compared to 6.79% in 3Q2015.

As compared to 2Q2016, SG&A expenses increased by THB 3 million or 0.95% mainly from higher freight cost and miscellaneous cost.

Share of Profit from Associated Companies

Share of profit from associated companies in 3Q2016 was the profit contribution by McKey and GFN. The Group's share of profit from associated companies totaled of THB 81 million, declined from 3Q2015 by THB 13 million or 13.83%. In 3Q2016, the profit contributed from McKey was THB 63 million which increased from 3Q2015 by 44.64%. On the other hand, profit contributed from GFN was THB 18 million, dropped by 63.73% from 3Q2015.

As compared to 2Q2016, the Group's share of profit from associated companies dropped by THB 27 million or 24.83% mainly from lower profit contributed from GFN.

Financial Costs

Financial costs of the group which totaled of THB 25 million, decreased by THB 6 million or 18.84% from 3Q2015. The costs of funds in 3Q2016 were 2.84%, went down from 2.96% in 3Q2015 due to lower interest expense from related parties. Financial costs were 0.56% of net sales in 3Q2016, slightly declined from 0.72% in 3Q2015.

As compared to 2Q2016, financial costs was about the same level.

Income Tax Expenses

We recorded an income tax expense of THB 80 million in 3Q2016, increased by THB 77 million or 2,380.55% compared to income tax expense for 3Q2015 which was THB 3 million. An increase in income tax expense was impacted by higher corporate tax expense comparing to 3Q2015.

As compared to 2Q2016, income tax expense increased by THB 51 million or 173.52% mainly from higher corporate tax expense.

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

In 3Q2016, the consolidated EBITDA was THB 890 million, increased THB 255 million or 40.07% as compared to 3Q2015, was predominantly driven by higher gross profit and higher other income. The EBITDA in 3Q2016 was 20.18% of total sales, strengthened from 3Q2015 at 15.00%.

As compared to 2Q2016, the consolidated EBITDA improved by THB 169 million or 23.41% mainly from higher gross profit.

(Unit: Million Baht)

	3Q 2016	3Q 2015	Change	% Change	2Q 2016	Change	% Change
EBIT	606	364	242	66.30	437	169	38.49
Depreciation Expense	283	270	13	4.85	283	-	-
Amortization Expense	1	1	-	-	1	-	-
EBITDA	890	635	255	40.07	721	169	23.41
EBITDA Margin (%)	20.18	15.00		5.18	18.48		1.70

Net Profit

The net profit attributable to the Group for 3Q2016 was THB 496 million which is equivalent to THB 0.40 per share, an increase of THB 170 million or 51.93% compared to THB 326 million in 3Q2015 or THB 0.26 per share. The net profit of the Group in 3Q2016 was 11.25% of total revenue from sales, increased from 7.72% in 3Q2015, was predominantly driven by higher revenue from sales especially from export, lower cost of sales from lower feed material cost and higher other income.

As compared to 2Q2016, net profit improved by THB 115 million or 30.17% mainly from higher revenue from sales.

Financial Position

Assets

Total assets of the Group as at September 30, 2016, totaled THB 15,455 million, comprising of THB 4,484 million (29.01% of total assets) in current assets, THB 7,212 million (46.66% of total assets) in property, plant and equipment (PP&E), THB 2,372 million (15.35% of total assets) in investments in associated companies, THB 525 million (3.40% of total assets) in grandparent chicken and parent chicken, THB 360 million (2.33% of total assets) in investment property, THB 378 million (2.45% of total assets) in deferred tax assets, THB 124 million (0.80% of total assets) in other non-current assets.

Total assets of the Group as at September 30, 2016, increased in amount of THB 479 million or 3.20% from 31 December 2015. The factors were the increase in PP&E of THB 476 million and the increase in investments in associated companies of THB 246 million. On the other hand, there was a decrease in cash and cash equivalent of THB 247 million.

Liabilities

Total liabilities as at September 30, 2016, totaled THB 5,171 million, comprising of current liabilities in amount of THB 2,961 million (57.26% of total liabilities), long-term loans in amount of THB 1,700 million (32.88% of total liabilities), provision for employees benefit in amount of THB 358 million (6.92% of total liabilities), advance received for rental income from associates in amount of THB 101 million (1.96% of total liabilities), and other non-current liabilities in amount of THB 51 million (0.99% of total liabilities).

The total liabilities as at September 30, 2016, decreased by THB 362 million or 6.54% from 31 December 2015 as short-term loans from financial institutions dropped in amount of THB 230 million or 12.90% and long-term loans from related persons dropped in amount of THB 200 million or 11.11% from December 31, 2015.

The Group had current portion of long-term loans from financial institutions of THB 246 million, dropped in amount of THB 37 million or 13.24% from December 31, 2015. Nevertheless, interest-bearing liabilities of the Company at September 30, 2016 were THB 3,503 million, dropped by THB 642 million from decrease in short-term loans from financial institutions dropped in amount of THB 230 million and decrease in long-term loans from related persons of THB 200 million from December 31, 2015.

All short-term and long-term loans of the Group are in THB currency only, the Company has no exposure in foreign currency borrowings.

Shareholders' Equity

The consolidated shareholders' equity as of September 30, 2016, totaled THB 10,284 million, increased by THB 841 million or 8.90% from December 31, 2015. The consolidated book value as at September 30, 2016 was THB 8.20 per share, slightly increased from THB 7.53 per share at the end of last year since the Group had increase in inappropriate retained earnings of THB 838 million from December 31, 2015.

Liquidity

Cash Flow Activities

Operating Activities

For the nine-month period ended September 30, 2016, the Company and its subsidiaries generated cash flows from operating activities of THB 1,902 million, increased by THB 796 million from the same period last year because of increase in profit before income tax of THB 547 million.

Investing Activities

For the nine-month period ended September 30, 2016, the Company and its subsidiaries used net cash in its investing activities in amount of THB 1,109 million, increased by THB 105 million from the same period last year, mostly from cash payment in purchase of property, plant and equipment.

Financing Activities

For the nine-month period ended September 30, 2016, The Company and its subsidiaries used net cash from its financing activities in amount of THB 1,040 million, increased by THB 961 million from the same period last year.

As at September 30, 2016, the Company and its subsidiaries had cash and cash equivalents of THB 346 million, increased by THB 53 million from same period last year.

Liquidity ratios

The liquidity of the Group as at September 30, 2016 was considerably appropriate for its operation. The consolidated current ratio was 1.51 times less than the consolidated current ratio as at December 31, 2015 of 1.63 times. While the quick ratio as at September 30, 2016, was at 0.41 times whereas at December 31, 2015, the quick ratio was 0.53 times.

Short-term Debt Maturity

As at September 30, 2016, the Company and its subsidiaries' current liabilities of THB 2,961 million comprised of short-term loans from financial institutions of THB 1,557 million, trade and other payables of THB

1,086 million, the current portion of long-term loans from financial institutions of THB 246 million, other current liabilities of THB 64 million, and current portion of advance received for rental income from associate of THB 8 million.

As the Company's cash position and liquidity were pretty strong. The Company and its subsidiaries can definitely repay its debt obligations including trade and other payables, short-term loans, and interest expenses. The repayment can be made from cash flows from operation activities.

The Company and its subsidiaries still have available credit line of revolving short-term borrowing with financial institutions including overdraft and promissory notes in amount of THB 4,673 million while trade finance facilities being letter of credit and trust receipts payables for THB 3,829 million.

Capital Structure

The Company and its subsidiaries had strong financial position. As at September 30, 2016, the consolidated debt to equity ratio stayed at 0.50:1, a slight decrease from 0.59:1 as at December 31, 2015 resulting from decreasing in short-term loans from financial institutions and long-term loans from related persons.

Moreover, the consolidated interest-bearing liabilities of THB 3,503 million as at September 30, 2016 dropped by THB 642 million from THB 4,145 million from December 31, 2015. Consequently, the net debt to equity ratio was considerably low at 0.34:1, decreased from 0.44:1 as at December 31, 2015.

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

As at September 30, 2016 and December 31, 2015

	As at Jun 30, 2016		As at Dec 31, 2015		Change	
	MB	%	MB	%	MB	%
Cash and Cash Equivalent	346	2.24	593	3.96	(247)	(41.62)
Trade and Other Receivable	902	5.84	1,027	6.85	(125)	(12.14)
Inventories	3,215	20.80	3,173	21.19	42	1.31
Other Current Assets	21	0.13	16	0.11	5	26.68
Total Current Assets	4,484	29.01	4,809	32.11	(325)	(6.76)
Investment in Associated Companies	2,372	15.35	2,126	14.20	246	11.56
Grandparent Chickens	110	0.71	99	0.66	11	11.67
Parent Chickens	415	2.69	387	2.58	28	7.32
Investment property	360	2.33	364	2.43	(4)	(1.12)
Property, Plant and Equipment	7,212	46.66	6,736	44.98	476	7.06
Deferred Tax Assets	378	2.45	358	2.39	20	5.47
Other Non-Current Assets	124	0.80	97	0.65	27	28.08
Total Non-Current Assets	10,971	70.99	10,167	67.89	804	7.91
Total Assets	15,455	100.00	14,976	100.00	479	3.20
Short-Term Loans from Financial Institutions	1,557	10.07	1,787	11.93	(230)	(12.90)
Trade and Other Payable	1,086	7.03	814	5.43	272	33.46
Current Portion of Advance Received for Rental Income from Associate	8	0.05	8	0.05	-	-
Current Portion of Long-Term Loans	246	1.59	283	1.89	(37)	(13.24)
Other Current Liabilities	64	0.42	61	0.41	3	6.34
Total Current Liabilities	2,961	19.16	2,953	19.71	8	0.27
Long-Term Loans	1,700	11.00	2,075	13.85	(375)	(18.07)
Provision for Employee Benefit	358	2.31	339	2.26	19	5.54
Advance Received for Rental Income from Associate	101	0.66	107	0.72	(6)	(5.49)
Other Non-Current Liabilities	51	0.33	59	0.40	(8)	(13.69)
Total Non-Current Liabilities	2,210	14.30	2,580	17.23	(370)	(14.35)
Total Liabilities	5,171	33.46	5,533	36.94	(362)	(6.54)
Total Shareholders' Equity	10,284	66.54	9,443	63.06	841	8.90
Total Liabilities and Shareholders' Equity	15,455	100.00	14,976	100.00	479	3.20

GFPT Public Company Limited
Interim Management Discussion and Analysis for the 3rd Quarter 2016



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

For the three-month period ended September 30, 2016 and 2015

	3Q 2016		3Q 2015		Change		2Q 2016		Change	
	MB	%								
Revenue from Sales	4,411	100.00	4,237	100.00	174	4.08	3,902	100.00	509	13.02
Cost of Sales	(3,662)	(83.03)	(3,741)	(88.29)	(79)	(2.12)	(3,363)	(86.19)	299	8.88
Gross Profit	749	16.97	496	11.71	253	50.86	539	13.81	210	38.88
Other Income	86	1.95	61	1.46	25	39.20	97	2.50	(11)	(11.84)
Selling Expenses	(131)	(2.96)	(119)	(2.81)	12	9.76	(120)	(3.07)	11	9.13
Administrative Expenses	(179)	(4.06)	(168)	(3.97)	11	6.19	(187)	(4.79)	(8)	(4.29)
Share of Profit from Associates	81	1.84	94	2.22	(13)	(13.83)	108	2.76	(27)	(24.83)
Financial Costs	(25)	(0.56)	(31)	(0.72)	(6)	(18.84)	(25)	(0.65)	-	-
Profit before Income Taxes	581	13.18	333	7.89	248	74.13	412	10.56	169	40.95
Income Tax Expenses	(80)	(1.81)	(3)	(0.08)	77	2,380.55	(29)	(0.75)	51	173.52
Profit for The Period	501	11.37	330	7.81	171	51.62	383	9.81	118	30.83
Non-Controlling Interests	(5)	(0.12)	(4)	(0.09)	1	26.52	(2)	(0.05)	3	158.84
Net Profit	496	11.25	326	7.72	170	51.93	381	9.76	115	30.17

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

For the six-month period ended June 30, 2016 and 2015

	2016	2015	Change
	MB	MB	MB
Net Cash Received from Operating Activities	1,902	1,106	796
Net Cash Used in Investing Activities	(1,109)	(1,004)	105
Net Cash Received Used in Financing Activities	(1,040)	(79)	961
Net Increase (Decrease) in Cash and Cash Equivalents	(247)	23	(270)
Cash and Cash Equivalent at the Beginning of the Period	593	270	323
Cash and Cash Equivalent at the Ending of the Period	346	293	53

Financial Ratios of GFPT Public Company Limited and its subsidiaries

	2016	2015
Current Ratio ¹ (times)	1.51	1.63
Quick Ratio ² (times)	0.41	0.53
Gross Profit Margin ³ (%)	16.97	11.71
Operating Profit Margin ⁴ (%)	13.73	8.59
Net Profit Margin ⁵ (%)	11.03	7.59
Debt/Equity Ratio ⁶ (times)	0.50	0.59
Net Debt/Equity Ratio ⁷ (times)	0.34	0.44

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