

Management Discussion and Analysis

This interim MD&A report has been prepared based on the consolidated of GFPT Public Company Limited (“GFPT” or “the Company”) and its subsidiaries (collectively, “GFPT Group”) for the 1st Quarter 2018 as well as included any significant transactions occurred during the 1st Quarter 2018.

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 2018

GFPT Group had total revenue from sales of THB 3,958.50 million in 1Q2018, representing a decrease of THB 160.83 million or 3.90% down from 1Q2017 mainly from lower revenue of chicken processing business which decreased by THB 218.75 million or 11.85% down comparing to 1Q2017 mainly from lower revenue from direct export chicken products and domestic sales of chicken parts.

The consolidated gross profit in 1Q2018 was THB 519.39 million in 1Q2018, decreased by THB 109.99 million or 17.48% down from 1Q2017 from decreasing in overall sales volume. The consolidated gross profit margin contributed of 13.12% in 1Q2018, decreased from 15.28% in 1Q2017.

The participating loss from associates was THB 44.72 million in 1Q2018, increased by THB 126.99 million or 154.36% up comparing to 1Q2017. In addition, the consolidated EBITDA in 1Q2018 was THB 523.27 million, decreased by THB 242.68 million or 31.68% down from 1Q2017.

Finally, consolidated net profit in 1Q2018 accounted for THB 145.92 million or equal to EPS of THB 0.12 per share, or 65.59% down from 1Q2017. For capital structure of the Group, as at March 31, 2018, the consolidated debt to equity ratio was 0.42 time and the consolidated net debt to equity ratio was considerably low at 0.27 time.

Financial Highlights	1Q 2018		1Q 2017		Change	
	THB million	% Sales	THB million	% Sales	THB million	%
Revenue from Sales	3,958.50	100.00	4,119.33	100.00	(160.83)	(3.90)
Gross Profit	519.39	13.12	629.38	15.28	(109.99)	(17.48)
EBITDA	523.27	13.22	765.95	18.59	(242.68)	(31.68)
Net Profit	145.92	3.69	424.11	10.29	(278.19)	(65.59)

Overall Financial Performance and Profitability

Business Segment	1Q 2018		1Q 2017		Change	
	THB million	%	THB million	%	THB million	%
Chicken Processing	1,627.29	41.11	1,846.04	44.81	(218.75)	(11.85)
Feed	706.21	17.84	857.71	20.82	(151.50)	(17.66)
Farm & DOC	1,448.90	36.60	1,215.38	29.51	233.52	19.21
Processed Food	176.10	4.45	200.20	4.86	(24.10)	(12.04)
Total Sales	3,958.50	100.00	4,119.33	100.00	(160.83)	(3.90)

Revenue from Sales

The consolidated revenue from sales for 1Q2018 were THB 3,958.50 million, declined by THB 160.83 million or 3.90% down from 1Q2017, mostly from lower revenue from chicken processing business which decreased by THB 218.75 million or 11.85% down comparing to 1Q2017. Furthermore, revenue from feed business declined by THB 151.50 million or 17.66% down comparing to 1Q2017. Nevertheless, revenue from farm & DOC business rose by THB 233.52 million or 19.21% up from 1Q2017.

The consolidated revenue from sales in 1Q2018 consisted of chicken processing segment represented 41.11%, feed segment represented 17.84%, farm & DOC segment represented 36.60%, and processed food segment represented 4.45%.

Chicken Processing Segment

Revenue from chicken processing business in 1Q2018 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 41.11% of total revenue from sales amounting THB 1,627.29 million, lessened by THB 218.75 million or 11.85% down from 1Q2017.

The Company's total export of chicken products was 7,200 metric tons, dropped by 300 metric tons or 4.00% down from 1Q2017 mostly from decreasing in export volume.

Feed Segment

Revenue from feed business consisted of revenue from animal feed, fish feed, and shrimp feed, represented 17.84% of total sales, amounting THB 706.21 million, reduced by THB 151.50 million or 17.66% down from 1Q2017.

The revenue from feed business continued declining due to intense competition of animal feed and aquatic feed in Thailand reflecting falling in revenue from animal feed and fish feed about 16.52% and 29.59%, respectively.

Farm & DOC Segment

Revenue from farm & DOC business consisted of revenue from selling live broilers to GFN, our joint venture, and selling day-old-chicks to both international and domestic market, represented 36.60% of total sales, amounting THB 1,448.90 million, an increase of THB 233.52 million or 19.21% up from 1Q2017.

Revenue from selling live broilers to GFN has been snowballing since GFN started its operation in 2010. As a result, revenue from selling live broilers to GFN in 1Q2018 improved by 25.79% comparing to 1Q2017.

Processed Foods Segment

Revenue from processed food business consisted of chicken sausage, and other processed chicken products for domestic market, represented 4.45% of total sales. In 1Q2018, the revenue from processed foods was THB 176.10 million, dropped by THB 24.10 million, or 12.04% down from 1Q2017.

Revenue from processed food business in 1Q2018 decreased from lower selling price of processed food which decreased by 9.70% comparing to 1Q2017.

Cost of Sales

Cost of sales for 1Q2018 was THB 3,439.11 million, a slight decrease of THB 50.84 million or 1.46% down from 1Q2017 mainly from decreasing in sales volume of chicken export and feed. In addition, the market price of corn increased from THB 8.00 per kilogram in 1Q2017 to THB 9.90 per kilogram in 1Q2018 or increased by 23.75%, overall, the cost of sales for 1Q2018 contributed of 86.88% of total sales, raised from 84.72% in 1Q2017.

Gross Profit

The consolidated gross profit in 1Q2018 was THB 519.39 million, dropped by THB 109.99 million or 17.48% down from 1Q2017. Narrow gross profit in 1Q2018 was primarily from lower revenue from sales. The consolidated gross profit margin contributed about 13.12% in 1Q2018, decreased from 15.28% in 1Q2017 mainly from higher price of corn.

Other Income

The consolidated other income in 1Q2018 was THB 80.13 million, decreased by THB 8.92 million or 10.01% down from 1Q2017, predominantly from decreasing of gain in foreign exchange rate. The consolidated other incomes in 1Q2018 was 2.03% of net sales, gradually decreased from 2.16% in 1Q2017.

Selling General and Administrative Expenses

The consolidated SG&A expenses in 1Q2018 equaled to THB 341.40 million, increased by THB 5.04 million or 1.50% up from 1Q2017. The Consolidated SG&A expenses increased since loss from foreign exchange rate comparing to 1Q2017. The consolidated SG&A expenses in 1Q2018 were 8.62% of net sales, gently increased from 8.17% in 1Q2017.

Share of Loss from Associated Companies

The consolidated share of loss from associated companies based on the equity method in 1Q2018 was THB 44.72 million, increased by THB 126.99 million, or 154.36% up from 1Q2017 mainly from loss contributed from GFN was THB 56.60 million, decreased by THB 73.71 million or 430.76% decreased from 1Q2017 mainly from lower selling price of chicken parts for domestic market. Besides, McKey's profit contribution was THB 11.87 million, decreased by THB 53.29 million or 81.78% down comparing to 1Q2017 mainly from higher operating cost from new further processing factory.

Financial Costs

Financial costs of the group include the interest paid to financial institutions and related persons. The Company's financial costs in 1Q2018 were THB 18.43 million, dropped by THB 1.97 million or 9.67% down from 1Q2017 mainly from lower interest expense paid to financial institutions as the loan outstanding declined from 1Q2017. Costs of funds in 1Q2018 were 2.23%, slightly decreased from 1Q2017 at 2.28%. The consolidated financial costs of the group in 1Q2018 were 0.47% of net sales, slightly increased from 0.50% in 1Q2017.

Income Tax Expenses

The income tax expense of the Group in 1Q2018 was THB 46.33 million, increased by THB 27.66 million or 148.05% up from 1Q2017 mainly from higher corporate income tax of our subsidiary comparing to 1Q2017.

Net Profit

The consolidated net profit in 1Q2018 was THB 145.92 million, decreased in amount of THB 278.19 million or 65.59% decreased from THB 424.11 million in 1Q2017. The EPS of 1Q2018 was THB 0.12 per share. The decrease in consolidated net profit was primarily driven from lower revenue from sales, lower share of profit from associated companies, and lower gain in foreign exchange rate comparing to 1Q2017. The consolidated net profit margin in 1Q2018 was 3.69% of net sales, dropped from 10.29% in 1Q2017.

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

The consolidated EBITDA in 1Q2018 was THB 523.27 million, decreased by THB 242.68 million or 31.68% down from 1Q2017. The decreasing in consolidated EBITDA resulted from lower revenue from sales mainly from decreasing in chicken export. The EBITDA margin in 1Q2018 was 13.22%, decreased from 18.59% in 1Q2017.

Unit: Million Baht

	1Q 2018	1Q 2017	Change	% Change
EBIT	213.40	464.34	(250.94)	(54.04)
Depreciation Expense	306.45	299.39	7.06	2.36
Amortization Expense	3.42	2.22	1.20	54.15
EBITDA	523.27	765.95	(242.68)	(31.68)
EBITDA Margin (%)	13.22	18.59		(5.37)

Financial position
Assets

For the consolidated financial statements as of March 31, 2018, total assets of the GFPT Group equal to THB 17,408.29 million including THB 5,413.60 million (31.10% of total assets) in current assets, THB 8,118.77 million (46.64% of total assets) in property, plant and equipment (PP&E), THB 2,627.04 million (15.09% of total assets), in investments in associated companies, THB 503.83 million (2.89% of total assets) in grandparent chicken and parent chicken and THB 745.05 million (4.28% of total assets) in investment in property and other non-current assets.

Total assets as at March 31, 2018 increased in amount of THB 128.89 million or 0.75% up from December 31, 2017 from an increase in inventories of THB 131.47 million and an increase in PP&E of THB 106.17 million.

Liabilities

As at March 31, 2018, total liabilities of the Company and its subsidiaries was THB 5,185.32 million comprising of current liabilities of THB 3,056.03 million (58.93% of total liabilities), long-term loans of THB 1,600.00 million (30.86% of total liabilities), provision for employees benefit of THB 386.79 million (7.46% of total liabilities), advance received for rental income from associates of THB 89.62 million (1.73% of total liabilities), and other non-current liabilities of THB 52.88 million (1.02% of total liabilities).

The total liabilities as at March 31, 2018 slightly decreased by THB 19.26 million or 0.37% down from December 31, 2017 primarily from short-term loans from financial institutions decreased in amount of THB 440.00 million, however, current portion of long-term loans from related persons increased in amount of THB 300.00 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, 2018, trade and other payables of the Company and its subsidiaries was THB 1,153.27 million, increased in amount of THB 227.93 million or 24.63% increased from December 31, 2017.

The consolidated interest-bearing liabilities as at March 31, 2018 were THB 3,303.37 million, decreased from December 31, 2017 in amount of THB 273.33 million mainly from lower short-term loans from financial institutions in amount of THB 440.00 million.

Shareholders' Equity

As at March 31, 2018, the consolidated shareholders' equity in amount of THB 12,222.97 million, an increase of THB 148.15 million or 1.23% up from December 31, 2017; primarily from the increase in retained earnings in amount of THB 145.92 million. The consolidated book value as at March 31, 2018 was THB 9.75 per share, slightly increased from THB 9.63 per share as at December 31, 2017.

Liquidity

Cash Flow Activities

For the three-month period ended March 31, 2018, the Company and its subsidiaries generated cash flows from operating activities of approximately THB 579.28 million, increased by THB 84.35 million from the same period last year.

For the three-month period ended March 31, 2018, the Company and its subsidiaries used net cash in its investing activities in amount of THB 305.11 million, decreased by THB 49.27 million from the same period last year.

For the three-month period ended March 31, 2018, The Company and its subsidiaries used net cash from its financing activities in an amount of THB 291.85 million, increased by THB 183.85 million from the same period last year.

As at March 31, 2018, the Company and its subsidiaries' cash position in cash and cash equivalents was THB 718.58 million, increased by THB 375.16 million from the same period last year.

Liquidity ratios

As at March 31, 2018, the liquidity of the Company and its subsidiaries was considerably appropriate for its operations and had strong financial position. As at March 31, 2018, the consolidated current ratio was 1.77 times, slightly decreased from 1.81 times as at December 31, 2017. The quick ratio was 0.52 time, slightly decreased from December 31, 2017 at 0.57 time.

Short-term Debt Maturity

As at March 31, 2018, the Company and its subsidiaries' current liabilities of THB 3,056.03 million comprise of short-term loans of THB 1,370.00 million, trade payables and other payables THB 1,153.27 million, other current liabilities THB 199.39 million, and the current portion of long-term loans of THB 333.37 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 March 31, 2018, the consolidated current ratio was 1.77 times, the net debt to equity ratio was low at 0.27 time.

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 242.00 million and short-term loans, letters of credit, trust receipts, packing credit and forward foreign exchange contract in amount of THB 8,542.09 million.

Capital Structure

The Company and its subsidiaries had strong financial position. As at March 31, 2018, the consolidated debt to equity ratio was 0.42 time, slightly decreased from 0.43 time as at December 31, 2017.

As at March 31, 2018, the consolidated interest-bearing liabilities were THB 3,303.37 million, decreased from THB 3,576.70 million as at December 31, 2017. The net debt to equity of the Group was considerably low at 0.27 time, slightly decreased from 0.30 time as at December 31, 2017. In summary, the Company had appropriate capital structure.

GFPT Group Expansion Plan

For the next 3 - 5 years, the Company has planned for its future organic growth by emphasizing on the upstream expansion of chicken farm areas with the investment budget of THB 1,000 - 1,200 million per year.

GFPT has a plan to construct our third slaughter house at Chonburi Province to mainly support our main export markets which are Japan and EU Countries. Currently, GFPT Group has a total capacity of chicken slaughtering of 280,000 birds a day. Once a new plant start its production, the Company expects additional capacity of 384,000 birds a day by 2020.

However, this investment budget can be adjusted depending on the changes in future situation such as oversupply situation and tense competition.

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

As at March 31, 2018 and December 31, 2017

	As at Mar 31, 2018		As at Dec 31, 2017		Change	
	MB	%	MB	%	MB	%
Cash and Cash Equivalent	718.58	4.13	736.26	4.26	(17.68)	(2.40)
Trade and Other Receivable	930.33	5.35	1,013.27	5.87	(82.94)	(8.18)
Inventories	3,739.66	21.48	3,608.19	20.88	131.47	3.64
Other Current Assets	25.03	0.14	14.10	0.08	10.93	77.56
Total Current Assets	5,413.60	31.10	5,371.82	31.09	41.78	0.78
Investment in Associated Companies	2,627.04	15.09	2,671.77	15.46	(44.73)	(1.67)
Grandparent Chickens	114.68	0.66	110.83	0.64	3.85	3.47
Parent Chickens	389.15	2.23	366.22	2.12	22.93	6.26
Investment property	352.50	2.02	354.07	2.05	(1.57)	(0.44)
Property, Plant and Equipment	8,118.77	46.64	8,012.60	46.37	106.17	1.33
Deferred Tax Assets	298.95	1.72	297.63	1.72	1.32	0.44
Other Non-Current Assets	93.60	0.54	94.46	0.55	(0.86)	(0.91)
Total Non-Current Assets	11,994.69	68.90	11,907.58	68.91	87.11	0.73
Total Assets	17,408.29	100.00	17,279.40	100.00	128.89	0.75
Short-Term Loans from Financial Institutions	1,210.00	6.95	1,650.00	9.55	(440.00)	(26.67)
Short-Term Loans from Related Persons	160.00	0.92	160.00	0.92	-	-
Trade and Other Payable	1,153.27	6.62	925.34	5.36	227.93	24.63
Current Portion of Advance Received for Rental Income from Associate	7.85	0.05	7.85	0.05	-	-
Current Portion of Long-Term Loans	333.37	1.92	66.70	0.39	266.67	399.81
Other Current Liabilities	191.54	1.10	165.39	0.95	26.15	15.82
Total Current Liabilities	3,056.03	17.56	2,975.28	17.22	80.75	2.71
Long-Term Loans	1,600.00	9.20	1,700.00	9.84	(100.00)	(5.88)
Provision for Employee Benefit	386.79	2.22	384.97	2.23	1.82	0.47

Interim Management Discussion and Analysis for the 1st Quarter 2018

	As at Mar 31, 2018		As at Dec 31, 2017		Change	
	MB	%	MB	%	MB	%
Advance Received for Rental Income from Associate	89.62	0.51	91.58	0.53	(1.96)	(2.14)
Other Non-Current Liabilities	52.88	0.30	52.75	0.30	0.13	0.24
Total Non-Current Liabilities	2,129.29	12.23	2,229.30	12.90	(100.01)	(4.49)
Total Liabilities	5,185.32	29.79	5,204.58	30.12	(19.26)	(0.37)
Total Shareholders' Equity	12,222.97	70.21	12,074.82	69.88	148.15	1.23
Total Liabilities and Shareholders' Equity	17,408.29	100.00	17,279.40	100.00	128.89	0.75

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

For the three-month period ended March 31, 2018 and 2017

	1Q 2018		1Q 2017		Change	
	MB	%	MB	%	MB	%
Revenue from Sales	3,958.50	100.00	4,119.33	100.00	(160.83)	(3.90)
Cost of Sales	(3,439.11)	(86.88)	(3,489.95)	(84.72)	(50.84)	(1.46)
Gross Profit	519.39	13.12	629.38	15.28	(109.99)	(17.48)
Other Income	80.13	2.03	89.05	2.16	(8.92)	(10.01)
Selling Expenses	(125.08)	(3.16)	(130.43)	(3.17)	(5.35)	(4.10)
Administrative Expenses	(216.32)	(5.46)	(205.93)	(5.00)	10.39	5.05
Share of Profit (Loss) from Associates	(44.72)	(1.13)	82.27	2.00	(126.99)	(154.36)
Financial Costs	(18.43)	(0.47)	(20.40)	(0.50)	(1.97)	(9.67)
Profit before Income Taxes	194.97	4.93	443.94	10.77	(248.97)	(56.08)
Income Tax Expenses	(46.33)	(1.17)	(18.67)	(0.45)	27.66	148.05
Profit for The Period	148.64	3.76	425.27	10.32	(276.63)	(65.05)
Non-Controlling Interests	(2.72)	(0.07)	(1.16)	(0.03)	1.56	134.65
Net Profit	145.92	3.69	424.11	10.29	(278.19)	(65.59)

Consolidated Cash Flows Statement of GFPT Public Company Limited its subsidiary companies
For the three-month period ended March 31, 2018 and 2017

	Y 2018	Y 2017	Change
	MB	MB	MB
Net Cash Received from Operating Activities	579.28	494.93	84.35
Net Cash Used in Investing Activities	(305.11)	(354.38)	(49.27)
Net Cash Used in Financing Activities	(291.85)	(108.00)	183.85
Net Increase (Decrease) in Cash and Cash Equivalents	(17.68)	32.55	(50.23)
Cash and Cash Equivalent at the Beginning of the Period	736.26	310.87	425.39
Cash and Cash Equivalent at the Ending of the Period	718.58	343.42	375.16

Financial Ratios of GFPT Public Company Limited and its subsidiaries

	Y 2018	Y 2017
Current Ratio ¹ (times)	1.77	1.81
Quick Ratio ² (times)	0.52	0.57
Gross Profit Margin ³ (%)	13.12	15.28
Operating Profit Margin ⁴ (%)	5.39	11.27
Net Profit Margin ⁵ (%)	3.61	10.08
Debt/Equity Ratio ⁶ (times)	0.42	0.43
Net Debt/Equity Ratio ⁷ (times)	0.27	0.30

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