

## 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 3,902 million in 2Q2016, representing a decrease of THB 131 million or 3.24% down comparing to the same timeframe in 2015, mainly from declining in revenue from feed segment. On the other hand, revenue from chicken processing segment improved in amount of THB 56 million or increased by 3.48%, mostly from higher sales volume of chicken export and chicken indirect export.

As compared to 1Q2016, total revenue of the Group slightly increase by THB 1 million or 0.04%, due to higher revenue from chicken processing segment which slightly increased by 1.63%.

GFPT Group consists of 4 business segments comprise of 42.58% chicken processing, 23.59% feed, 28.39% farm and day-old-chicks, and 5.44% processed food.

Table: Consolidated Revenue Breakdown by Business Segment

Business Segment	2Q 2016		2Q 2015		Change		1Q 2016		Change	
	THB Million	%	THB million	%	THB million	%	THB million	%	THB million	%
Chicken Processing	1,662	42.58	1,606	39.81	56	3.48	1,635	41.91	27	1.63
Feed	920	23.59	1,123	27.84	(203)	(18.01)	922	23.65	(2)	(0.20)
Farm & DOC	1,108	28.39	1,096	27.19	12	1.03	1,128	28.91	(20)	(1.77)
Processed Food	212	5.44	208	5.16	4	2.00	216	5.53	(4)	(1.58)
<b>Total Sales</b>	<b>3,902</b>	<b>100.00</b>	<b>4,033</b>	<b>100.00</b>	<b>(131)</b>	<b>(3.24)</b>	<b>3,901</b>	<b>100.00</b>	<b>1</b>	<b>0.04</b>

**Chicken Processing Segment:**

The chicken processing segment performed strongly, with revenue from sales in amount of THB 1,662 million, improved by THB 56 million or 3.48% from 2Q2015. The Company's total export of chicken processing was 5,800 metric tons, a growth of 500 metric tons or 9.43% from 2Q2015 mostly increase in fresh chicken products. Additionally, revenue from chicken indirect export increased by 18.36% from 2Q2015 mainly from an increase in chicken indirect export sales volume from 3,500 MT to 4,300 MT equivalent to 22.86%. Revenue from chicken processing segment in 2Q2016 consisted of revenue from chicken direct export, chicken indirect export, and chicken domestic, represented 42.58% of total sales.

As compared to 1Q2016, revenue from chicken processing segment improved by THB 27 million or 1.63% mainly from the increase in chicken exports volume by 7.41% (5,400 MT in 1Q2016; 5,800 MT in 2Q2016).

**Feed Segment:**

The domestic feed segment of the Group continued declining trend in 2Q2016 due to high competition of feed business in Thailand for both animal feed and aqua feed pressured revenue of feed segment of the Group. Revenue from feed segment in 2Q2016 consisted of revenue from animal feed, fish feed, and shrimp feed, represented 23.59% of total sales amounting THB 920 million, dropped by THB 203 million or 18.01% from 2Q2015. The decrease in feed revenue was predominantly from lower volume sale in shrimp feed and animal feed by 28.21% and 16.02%, respectively.

As compared to 1Q2016, revenue from feed segment slightly dropped by THB 2 million or 0.20% mainly from the decrease in animal feed sales volume by 5.17%. On the other hand, fish feed sales volume increased by 7.78%.

#### **Farm & DOC Segment:**

Revenue from farm segment in 2Q2016 consisted of revenue from selling live broilers to GFN, our joint venture and selling day-old-chicks to domestic market, represented 28.39% of total sales amounting THB 1,108 million, slightly increased by THB 12 million or 1.03% from 2Q2015. The slight increase in revenue was predominantly from higher revenue from selling grandparent and parent day-old-chicks.

As compared to 1Q2016, revenue from farm segment slightly declined by THB 20 million or 1.77% mainly from lower revenue from selling grandparent day-old-chicks.

#### **Processed Food Segment:**

Revenue from processed food segment consisted of chicken sausage, and other processed chicken products especially for domestic consumers, represented 5.44% of total sales. The revenue from processed foods was THB 212 million, slightly increased by THB 4 million, or 2.00% from 2Q2015 mainly from a bit higher sales volume of processed food.

As compared to 1Q2016, revenue from processed food segment slightly weakened by THB 4 million or 1.58% mainly from slightly decrease in selling price.

#### **Cost of Sales**

Cost of sales for 2Q2016 was THB 3,363 million, a decrease of THB 245 million or 6.78% from 2Q2015 from lower price of major raw material of feed which are soybean meal and corn which decreased by 15.22% and 6.43%, respectively. Additionally, higher sales volume of chicken export and chicken indirect export facilitate lower overall cost of sales. Consequently, cost of goods sold in 2Q2016 contributed of 86.19% of total sales; lessen from 89.46% in 2Q2015.

As compared to 1Q2016, cost of sales dropped by THB 90 million or 2.58% mainly from the lower price of soybean meal by 12.49%.

#### **Gross Profit**

The consolidated gross profit in 2Q2016 was THB 539 million, appreciably improved by THB 114 million or 26.78% from 2Q2015. Widen gross profit in 2Q2016 was primarily from lower price of major feed material particularly soybean meal and corn. Moreover, higher sales volume of chicken export and chicken indirect export reflect higher margin compared to other type of products. Consequently, the gross profit margin of the Group increased from 10.54% in 2Q2015 to 13.81% in 2Q2016.

As compared to 1Q2016, gross profit improved by THB 91 million or 20.20% mainly from lower cost of sales. The gross profit margin also increase from 11.49% to 13.81%.

#### **Other Income**

Other income in 2Q2016 was THB 97 million, increased by THB 24 million or 34.31% from 2Q2015. Consequently, the consolidated other income in 2Q2016 was 2.50% of net sales, slightly rose up from 1.80% in 2Q2015. Other income primarily increased from selling eucalyptus, and gain from selling of parent chicken retirement.

As compared to 1Q2016, other income improved by THB 33 million or 53.03% mainly from the increase in selling eucalyptus.

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

The consolidated SG&A expenses in 2Q2016 were THB 307 million, increased by THB 27 million or 9.48% from 2Q2015. SG&A expenses increased from higher miscellaneous cost. SG&A as a percentage of revenue slightly increased to 7.86% in 2Q2016, compared to 6.95% in 2Q2015.

As compared to 1Q2016, SG&A expenses increased by THB 13 million or 4.26% mainly from higher miscellaneous cost.

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

One of the highlights in 2Q2016 was the profit contribution by McKey and GFN. The Group's share of profit from associated companies totaled of THB 108 million, noticeably increased from 2Q2015 by THB 99 million or 1,062.49%. In 2Q2016, the profit contributed from McKey was THB 60 million which increased from 2Q2015 by 180.78%. Moreover, profit contributed from GFN was THB 47 million, widely improved by 488.05% from 2Q2015 which got loss in amount of THB 12 million.

As compared to 1Q2016, the Group's share of profit from associated companies improved by THB 2 million or 1.39% mainly from higher profit contributed from McKey.

#### **Financial Costs**

Financial costs of the group which totaled of THB 25 million, decreased by THB 8 million or 23.02% from 2Q2015. The costs of funds in 2Q2016 were 2.65%, went down from 3.13% in 2Q2015 due to lower interest expense from related parties. Financial costs were 0.65% of net sales in 2Q2016, slightly declined from 0.81% in 2Q2015.

As compared to 1Q2016, financial costs decreased by THB 2 million or 4.66% mainly from lower interest expense from related parties.

#### Income Tax Revenues (Expenses)

We recorded an income tax expense of THB 29 million in 2Q2016, increased by THB 39 million or 385.42% compared to income tax revenue for 2Q2015 which was THB 10 million. An increase in income tax expense was impacted by higher corporate tax expense comparing to 2Q2015.

As compared to 1Q2016, income tax expense increased by THB 10 million or 50.03% mainly from higher corporate tax expense.

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

In 2Q2016, the consolidated EBITDA was THB 721 million, increased THB 227 million or 46.15% as compared to 2Q2015, was predominantly driven by higher gross profit and higher share of profit from associated companies. The EBITDA in 2Q2016 was 18.48% of total sales, strengthened from 2Q2015 at 12.24%.

As compared to 1Q2016, the consolidated EBITDA improved by THB 117 million or 19.33% mainly from higher gross profit and higher share of profit from associated companies.

(Unit: Million Baht)

	2Q 2016	2Q 2015	Change	% Change	1Q 2016	Change	% Change
EBIT	437	227	210	92.91	324	113	34.96
Depreciation Expense	283	266	17	6.38	279	4	1.21
Amortization Expense	1	1	-	-	1	-	-
EBITDA	721	494	227	46.15	604	117	19.33
EBITDA Margin (%)	18.48	12.24		6.24	15.50		2.98

#### Net Profit

The net profit attributable to the Group for 2Q2016 was THB 381 million which is equivalent to THB 0.30 per share, an increase of THB 181 million or 90.53% compared to THB 200 million in 2Q2015 or THB 0.16 per share. The net profit of the Group in 2Q2016 was 9.76% of total revenue from sales, increased from 4.97% in 2Q2015, was predominantly driven by lower feed material cost and higher profit from both associated companies.

As compared to 1Q2016, net profit improved by THB 106 million or 38.53% mainly from lower cost of sales, higher other income, and higher profit from both associated companies.

## Financial Position

### Assets

Total assets of the Group as at June 30, 2016, totaled THB 15,154 million, comprising of THB 4,525 million (29.86% of total assets) in current assets, THB 7,007 million (46.24% of total assets) in property, plant and equipment (PP&E), THB 2,291 million (15.12% of total assets) in investments in associated companies, THB 489 million (3.23% of total assets) in grandparent chicken and parent chicken, THB 362 million (2.39% of total assets) in investment property, THB 367 million (2.42% of total assets) in deferred tax assets, THB 113 million (0.74% of total assets) in other non-current assets.

Total assets of the Group as at June 30, 2016, increased in amount of THB 178 million or 1.19% from 31 December 2015. The factors were the increase in inventories of THB 296 million and the increase in PP&E of THB 271 million. On the other hand, there was a decrease in trade and other receivable of THB 304 million.

### Liabilities

Total liabilities as at June 30, 2016, totaled THB 5,370 million, comprising of current liabilities in amount of THB 3,135 million (58.37% of total liabilities), long-term loans in amount of THB 1,733 million (32.28% of total liabilities), provision for employees benefit in amount of THB 349 million (6.50% of total liabilities), advance received for rental income from associates in amount of THB 103 million (1.92% of total liabilities), and other non-current liabilities in amount of THB 50 million (0.94% of total liabilities).

The total liabilities as at June 30, 2016, decreased by THB 163 million or 2.94% from 31 December 2015 as 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 283 million, same level as December 31, 2015. Nevertheless, interest-bearing liabilities of the Company at June 30, 2016 were THB 3,811 million, dropped by THB 334 million from 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 June 30, 2016, totaled THB 9,784 million, increased by THB 341 million or 3.60% from December 31, 2015. The consolidated book value in 2Q2016 was THB 7.80 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 342 million from December 31, 2015.

## Liquidity

### Cash Flow Activities

#### Operating Activities

For the six-month period ended June 30, 2016, the Company and its subsidiaries generated cash flows from operating activities of THB 1,058 million, increased by THB 239 million from the same period last year because of increase in profit before income tax of THB 300 million.

#### Investing Activities

For the six-month period ended June 30, 2016, the Company and its subsidiaries used net cash in its investing activities in amount of THB 632 million, increased by THB 6 million from the same period last year, mostly from cash payment in purchase of property, plant and equipment.

#### Financing Activities

For the six-month period ended June 30, 2016, The Company and its subsidiaries used net cash from its financing activities in amount of THB 705 million, increased by THB 761 million from the same period last year.

As at June 30, 2016, the Company and its subsidiaries had cash and cash equivalents of THB 313 million, decreased by THB 206 million from same period last year.

### Liquidity ratios

The liquidity of the Group as at June 30, 2016 was considerably appropriate for its operation. The consolidated current ratio was 1.44 times less than the consolidated current ratio as at December 31, 2015 of 1.63 times. While the quick ratio as at June 30, 2016, was at 0.31 times whereas at December 31, 2015, the quick ratio was 0.53 times.

### Short-term Debt Maturity

As at June 30, 2016, the Company and its subsidiaries' current liabilities of THB 3,135 million comprised of short-term loans from financial institutions of THB 1,795 million, trade and other payables of THB

984 million, the current portion of long-term loans from financial institutions of THB 283 million, other current liabilities of THB 65 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 4,333 million while trade finance facilities being letter of credit and trust receipts payables for THB 3,706 million.

### **Capital Structure**

The Company and its subsidiaries had strong financial position. As at June 30, 2016, the consolidated debt to equity ratio stayed at 0.55:1, a slight decrease from 0.59:1 as at December 31, 2015 resulting from decreasing in long-term loans from related persons.

Moreover, the consolidated interest-bearing liabilities of THB 3,811 million as at June 30, 2016 dropped by THB 334 million from THB 4,145 million from December 31, 2015. Consequently, the net debt to equity ratio was considerably low at 0.39: 1, decreased from 0.44: 1 as at December 31, 2015.

### **Risk Factor**

#### **Impact of Brexit**

Brexit have limited impact to the Group since chicken export sales to UK contributed only 5% of total revenue of the Group. Furthermore, most export sales are quoted by USD currency and all transaction are hedged by using forward contract. Therefore, we anticipate that the sale order from UK may be slightly slow down due to the depreciation of pound sterling (GBP).



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

As at June 30, 2016 and December 31, 2015

	As at Jun 30, 2016		As at Dec 31, 2015		Change	
	MB	%	MB	%	MB	%
Cash and Cash Equivalent	313	2.07	593	3.96	(280)	(47.11)
Trade and Other Receivable	723	4.77	1,027	6.85	(304)	(29.60)
Inventories	3,469	22.89	3,173	21.19	296	9.32
Other Current Assets	20	0.13	16	0.11	4	19.67
<b>Total Current Assets</b>	<b>4,525</b>	<b>29.86</b>	<b>4,809</b>	<b>32.11</b>	<b>(284)</b>	<b>(5.90)</b>
Investment in Associated Companies	2,291	15.12	2,126	14.20	165	7.76
Grandparent Chickens	101	0.67	99	0.66	2	2.88
Parent Chickens	388	2.56	387	2.58	1	0.20
Investment property	362	2.39	364	2.43	(2)	(0.75)
Property, Plant and Equipment	7,007	46.24	6,736	44.98	271	4.03
Deferred Tax Assets	367	2.42	358	2.39	9	2.40
Other Non-Current Assets	113	0.74	97	0.65	16	16.52
<b>Total Non-Current Assets</b>	<b>10,629</b>	<b>70.14</b>	<b>10,167</b>	<b>67.89</b>	<b>462</b>	<b>4.54</b>
<b>Total Assets</b>	<b>15,154</b>	<b>100.00</b>	<b>14,976</b>	<b>100.00</b>	<b>178</b>	<b>1.19</b>
Short-Term Loans from Financial Institutions	1,795	11.85	1,787	11.93	8	0.44
Trade and Other Payable	984	6.49	814	5.43	170	20.88
Current Portion of Advance Received for Rental Income from Associate	8	0.05	8	0.05	-	-
Current Portion of Long-Term Loans	283	1.87	283	1.89	-	-
Other Current Liabilities	65	0.43	61	0.41	4	7.11
<b>Total Current Liabilities</b>	<b>3,135</b>	<b>20.69</b>	<b>2,953</b>	<b>19.71</b>	<b>182</b>	<b>6.17</b>
Long-Term Loans	1,733	11.44	2,075	13.85	(342)	(16.47)
Provision for Employee Benefit	349	2.30	339	2.26	10	2.96
Advance Received for Rental Income from Associate	103	0.68	107	0.72	(4)	(3.66)
Other Non-Current Liabilities	50	0.33	59	0.40	(9)	(15.25)
<b>Total Non-Current Liabilities</b>	<b>2,235</b>	<b>14.75</b>	<b>2,580</b>	<b>17.23</b>	<b>(345)</b>	<b>(13.35)</b>
<b>Total Liabilities</b>	<b>5,370</b>	<b>35.44</b>	<b>5,533</b>	<b>36.94</b>	<b>(163)</b>	<b>(2.94)</b>
<b>Total Shareholders' Equity</b>	<b>9,784</b>	<b>64.56</b>	<b>9,443</b>	<b>63.06</b>	<b>341</b>	<b>3.60</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>15,154</b>	<b>100.00</b>	<b>14,976</b>	<b>100.00</b>	<b>178</b>	<b>1.19</b>

**GFPT Public Company Limited**  
**Interim Management Discussion and Analysis for the 2nd Quarter 2016**



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

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

	2Q 2016		2Q 2015		Change		1Q 2016		Change	
	MB	%	MB	%	MB	%	MB	%	MB	%
Revenue from Sales	3,902	100.00	4,033	100.00	(131)	(3.24)	3,901	100.00	1	0.04
Cost of Sales	(3,363)	(86.19)	(3,608)	(89.46)	(245)	(6.78)	(3,453)	(88.51)	(90)	(2.58)
<b>Gross Profit</b>	<b>539</b>	<b>13.81</b>	<b>425</b>	<b>10.54</b>	<b>114</b>	<b>26.78</b>	<b>448</b>	<b>11.49</b>	<b>91</b>	<b>20.20</b>
Other Income	97	2.50	73	1.80	24	34.31	64	1.63	33	53.03
Selling Expenses	(120)	(3.07)	(120)	(2.97)	-	-	(116)	(2.98)	4	3.14
Administrative Expenses	(187)	(4.79)	(160)	(3.97)	27	16.60	(178)	(4.56)	9	4.99
Share of Profit from Associates	108	2.76	9	0.23	99	1,062.49	106	2.72	2	1.39
Financial Costs	(25)	(0.65)	(33)	(0.81)	(8)	(23.02)	(27)	(0.68)	(2)	(4.66)
<b>Profit before Income Taxes</b>	<b>412</b>	<b>10.56</b>	<b>194</b>	<b>4.82</b>	<b>218</b>	<b>112.56</b>	<b>297</b>	<b>7.62</b>	<b>115</b>	<b>38.49</b>
Income Tax Revenues (Expenses)	(29)	(0.75)	10	0.25	39	385.42	(19)	(0.50)	10	50.03
<b>Profit for The Period</b>	<b>383</b>	<b>9.81</b>	<b>204</b>	<b>5.07</b>	<b>179</b>	<b>87.56</b>	<b>278</b>	<b>7.12</b>	<b>105</b>	<b>37.68</b>
Non-Controlling Interests	(2)	(0.05)	(4)	(0.10)	(2)	(53.43)	(3)	(0.08)	(1)	(37.08)
<b>Net Profit</b>	<b>381</b>	<b>9.76</b>	<b>200</b>	<b>4.97</b>	<b>181</b>	<b>90.53</b>	<b>275</b>	<b>7.04</b>	<b>106</b>	<b>38.53</b>

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	1,058	819	239
Net Cash Used in Investing Activities	(632)	(626)	6
Net Cash Received from (Used in) Financing Activities	(705)	56	761
Net Increase (Decrease) in Cash and Cash Equivalents	(279)	249	(528)
Cash and Cash Equivalent at the Beginning of the Period	592	270	322
Cash and Cash Equivalent at the Ending of the Period	313	519	(206)

Financial Ratios of GFPT Public Company Limited and its subsidiaries

	2016	2015
Current Ratio <sup>1</sup> (times)	1.44	1.63
Quick Ratio <sup>2</sup> (times)	0.31	0.53
Gross Profit Margin <sup>3</sup> (%)	13.81	10.54
Operating Profit Margin <sup>4</sup> (%)	11.21	5.62
Net Profit Margin <sup>5</sup> (%)	9.55	4.87
Debt/Equity Ratio <sup>6</sup> (times)	0.55	0.59
Net Debt/Equity Ratio <sup>7</sup> (times)	0.39	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