

May 12, 2017

President Bakery Public Company Limited would like to submit the report of Management Discussion and Analysis (MD&A) for Operating Result in Q1/2017 ended on March 31, 2017 which has been reviewed by the auditor. The financial statement of the Company, as shown by equity method, records changes in the operating results from the same period last year. The Company would like to clarify such significant changes as below,

Performance of the Company

(Unit: million Baht)

	Q1/2017	%	Q1/2016	%	Increase (Decrease)	% +/(-)
Sales	1,733.32	99.08	1,780.63	98.92	(47.31)	(2.66)
Total revenues	1,749.36	100	1,800.16	100	(50.80)	(2.82)
Cost of Sales	999.79	57.68	1,037.35	58.26	(37.56)	(3.62)
Gross Profit	733.53	42.32	743.28	41.74	(9.75)	(1.31)
Selling and Administrative expenses	398.05	22.75	398.90	22.16	(0.85)	(0.21)
Profit for the period	318.40	18.20	325.84	18.10	(7.44)	(2.28)
Profit for the period (Baht)	0.71		0.72		(0.01)	(1.39)

Remark: Percentage in Statement of comprehensive income derived from total revenues, while percentage of cost of sales and gross profit from sales

1. Operating Results

According to equity method, the Company recorded total income in Q1/2017 by Baht 1,749.36 million, or 2.82% decrease from the same period last year, and the Company gained total profit of Baht 318.40 million in Q1/2017, or 2.28% decrease from the same period last year as per following details;

1.1 Sales Revenue

The Company recorded total sales revenue of Baht 1,733.32 million and Baht 1,780.63 million in Q1/2017 and Q1/2016 respectively, or decreasing by 2.66%.

When classified by distribution channel in Q1 ended on March 31, 2017, the sales revenue from wholesale business decreased by 3.44% and the sales revenue from retail business decreased by 2.96% from the same period last year due to domestic economic slowdown and cautious spending from general consumers. In addition, some of our customers have produced their own bakery products, thus causing higher competition. However, the Company has maintained continuous product development. Meanwhile, the sales revenue from Fast food and Restaurant business grew by 7.65% due to rising purchase order from customers.

1.2 Cost of Sales

The cost of sales of the Company in Q1/2017 stood at Baht 999.79 million, or decreasing by 3.62% from the same quarter last year. The Company managed the cost of sales to total sales ratio to be at 57.68% in Q1/2017, lower from 58.26% in the same quarter last year due to lower price of major raw material as well as due to effective production and purchasing management. As a result, the gross profit margin of the Company stood at 42.32% increasing from 41.74% in the same quarter last year.

1.3 Selling and Administrative Expenses

The selling and administrative expenses in Q1/2017 amounted to Baht 398.05 million, accounting for 22.75% of total income. The ratio of selling and administrative expenses to total income slightly decreased from a year earlier. In a meantime, The Company has performed effective management to control the expenditure of transportation, product distribution, and information system.

1.4 Income Tax

The Company paid income tax in Q1/2017 by Baht 31 million, decreasing by Baht 4.73 million or 13.24% from the same period last year, according to lower amount of sales revenue and profit. Meanwhile, the ratio of income tax to total income of the Company stood at 1.77% and 1.98% in Q1/2017 and Q1/2016 respectively (as per detail in No. 12 of Notes to the Financial Statement)

1.5 Profit for the period

The Company recorded profit for the period of Baht 318.40 million for the quarter ended on March 31, 2017, or decreasing by 2.28% from the same period last year due to lower sales revenue and to higher competition. In a meantime, the Company gained the profit sharing of Baht 1.06 million in Q1/2017 from investment in joint-venture business.

Financial Position of the Company

Unit: million Baht)

	March 31, 2017	Proportion	December 31, 2016	Proportion	Increase (Decrease)	% +/(-)
Total Assets	7,675.31	100	7,527.67	100	147.64	1.96
Total Liabilities	1,266.94	16.51	1,437.98	19.10	(171.04)	(11.89)
Shareholders' Equity	6,408.37	83.49	6,089.69	80.90	318.68	5.23
Total Liabilities and Shareholders' Equity	7,675.31	100	7,527.67	100	147.64	1.96

2. Financial Position

2.1 Assets

The total assets of the Company as of March 31, 2017 amounted to Baht 7,675.31 million, increasing by Baht 147.64 million from December 31, 2016. Main asset of the Company comprised of current asset by 29.04% of total asset and non-current asset by 70.96% of total asset. The increase in current assets resulted from increasing cash and cash equivalent item by Baht 141.05 million, and the increase in non-current assets was accounted for land and building of new product distribution center to replace leased premise.

Trade and other receivables of the Company accounted for 10.37% of total assets, decreasing by Baht 74.97.million from 2016 because the most of account receivable were paid on due.

2.2 Liabilities

The liability of the Company as of March 31, 2017 totaled to Baht 1,266.94 million, accounting for 16.51% of total Liabilities and Shareholders' Equity and decreasing by 11.89% from December 31, 2016 due to decreasing trade payable and other suspended expense. As a result, the debt to equity ratio of the Company was at 0.20, lower from 0.24 as of December 31, 2016.

2.3 Shareholders' Equity

The shareholders' equity of the Company as of March 31, 2017 stood at Baht 6,408.37 million, accounting for 83.49% of the total of Liability and Shareholders' Equity. The shareholders' equity increased by Baht 318.68.million from December 31, 2016 due to operating profit. In addition, the book value of the Company was at 14.24 Baht per share, increasing from 13.53 Baht per share in 2016.

3. Liquidity Position

The net cash from operating activities of the Company in Q1 ended on March 31, 2017 amounted to Baht 371.85 million, slightly decreasing from the previous year.

The net cash used in investing activities totaled to Baht 216.57 million, decreasing by Baht 13.38 million, resulted from lower short-term and long-term investment and higher purchase of land for new product distribution center.

Additionally, the net cash used in financing activities was at Baht 14.23 million, increasing by Baht 7.92 million due to lower amount of Long-term loans from employees from the same quarter last year.

As a result, the Company recorded cash and cash equivalent item of Baht 678.04 million as of March 31, 2017, increasing by Baht 141.05 million and close to the same quarter last year.

As of March 31, 2017, the Company maintained the current ratio at 2.32 and the average days sales at 1 day. Meanwhile, the average days of debt collection of the Company stood at 43 days, and the average days of debt repayment was at 69 days. As a result, the cash cycle of the Company was at 25 days.

This is to be informed for your acknowledgement

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(Ms. Petcharat Anantawichai)

Director and Senior Management Accounting Department
and Finance Department Manager

Company Secretary