

February 21, 2018

President Bakery Public Company Limited would like to submit the report of Management Discussion and Analysis (MD&A) for the year ended 31 December 2017 which has been audited by the auditor. The financial statement of the Company, as shown by equity method, records changes in the operating results from the previous year. The Company would like to clarify such significant changes as below,

Performance of the Company

(Unit: million Baht)

	2017	%	2016	%	Increase (Decrease)	% +/- (-)
Sales	7,448.96	99.06	7,568.75	99.06	(119.79)	(1.58)
Total revenues	7,519.29	100	7,640.53	100	(121.24)	(1.59)
Cost of Sales	4,348.27	58.37	4,361.99	57.63	(13.72)	(0.31)
Gross Profit	3,100.69	41.63	3,206.76	42.37	(106.07)	(3.31)
Selling and Administrative expenses	1,685.57	22.42	1,643.72	21.51	41.85	2.55
Profit for the period	1,335.54	17.76	1,462.95	19.15	(127.41)	(8.71)
Earnings per share (Baht)	2.97		3.25		(0.28)	(8.62)

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 2017 by Baht 7,519.29 million, or 1.59% decrease from the previous year as per following details;

1.1 Sales Revenue

The Company recorded total sales revenue of Baht 7,448.96 million and Baht 7,568.75 million in 2017 and 2016 respectively, or decreasing by 1.58%.

When classified by distribution channel in 2017 compared with the year 2016, the sales revenue from wholesale business decreased by 2.41%. Despite the Company together with selling distributors has performed continuous marketing and sale promotion activities, such as offering discount price, the competitive environment of the market has been intensifier in 2017 because of higher production to be supplied from the competitors and because the trading partners had manufactured their own house brand products and opened their own bakery business to be competed in the market. Meanwhile, the sales

revenue from retail business decreased by 2.20%, and the sales revenue from Fast food and Restaurant business increased by 8.87% due to higher order from the customers.

1.2 Cost of Sales

The cost of sales of the Company in 2017 stood at Baht 4,348.27 million, or decreasing by 0.31% from the previous year. However the raw material cost was lower in 2017 due to decreasing price of major raw materials, and effective management and purchasing order system. The cost of sales to total sales ratio at 58.37% in 2017, higher than 57.63% in 2016 as a result of Natural Gas and Utility Expense and Depreciation. The Depreciation in 2017 was higher because Bang Chan Factory² had started its operation since June 2017. As a result, gross profit margin stood at 41.63%, decreasing by 3.31% from a year earlier.

1.3 Selling and Administrative Expenses

The selling and administrative expenses, including salary, wage, fuel cost, advertising and sales promotion expense, and so on, in 2017 amounted to Baht 1,685.57 million, accounting for 22.42% of total income and increasing by 2.55% from the previous year. The selling and administrative expense was increasing due to higher fuel cost for transportation and from continuous advertising and sales promotion activities. In a meantime, the Company still maintained effective cost control.

1.4 Income Tax

The Company paid income tax in 2017 by Baht 143.27 million, decreasing by 11.14% from previous year as a result of lower profit from Non-BOI-promoted business. In a meantime, the ratio of income tax to total income of the Company stood at 1.91% and 2.11% in 2017 and 2016 respectively (as detailed in no.23 of notes to the financial statement)

1.5 Net Profit

The Company recorded the net profit of Baht 1,335.54 million, or decreasing by 8.71% from the previous year as a result of lower sales revenue. The Company maintained the net profit ratio at 17.76% of total income. However the Company still maintained effective cost control. Share of income from investment in joint venture at amount of Baht 4.71 million in 2017

Financial Position of the Company

(Unit: million Baht)

	December 30, 2017	Proportion	December 31, 2016	Proportion	Increase (Decrease)	% +/(-)
Total Assets	7,997.32	100	7,527.67	100	469.65	6.24
Total Liabilities	1,289.67	16.13	1,437.98	19.10	(148.31)	(10.31)
Shareholders' Equity	6,707.65	83.87	6,089.69	80.90	617.96	10.15
Total Liabilities and Shareholders' Equity	7,997.32	100	7,527.67	100	469.65	6.24

2. Financial Position

2.1 Assets

The total assets of the Company as of December 31, 2017 amounted to Baht 7,997.32 million, increasing by Baht 469.65 million from December 31, 2016. The main asset of the Company consisted of current asset by 32.76% of total asset and non-current asset by 67.24% of total asset. Major increase of asset was attributed to increasing cash and cash equivalent item and increasing short-term and long-term investment. In addition, the trade account receivable and the other account receivable of the Company totaled to Baht 894.01 million, accounting for 11.18% of total assets, and increasing by 2.64% from the previous year as a result of some particular overdue account receivable and from the other account receivable of selling security from private funds during settlement period. However most of account receivable of the Company, resulting from Modern Trade account and large distributor account, was paid on schedule, and the amount of long-time trade account receivable of the Company was lower.

2.2 Liability

The liability of the Company as of December 31, 2017 totaled to Baht 1,289.67 million, accounting for 16.13% of the total of Liability and Shareholders' Equity, decreasing by 10.31% from December 31, 2016. Meanwhile, the debt to equity ratio of the Company was at 0.19, lower from 0.24 as of December 31, 2016.

2.3 Shareholders' Equity

The shareholders' equity of the Company as of December 31, 2017 stood at Baht 6,707.65 million, accounting for 83.87% of the total of Liability and Shareholders' Equity. The shareholders' equity increased by Baht 617.96 million from December 31, 2016 as a result of net profit of Baht 1,335.54 million and dividend payment of Baht 729 million. Meanwhile, the book value of the Company rose to 14.91 Baht per share, increasing from 13.53 Baht per share in 2016.

3. Liquidity Position

The net cash flow from operating activities of the Company in 2017 amounted to Baht 1,781.54 million, decreasing by Baht 88.41 million or by 4.73% from the previous year.

The net cash flow from investing activities totaled to Baht 822.24 million, decreasing by Baht 52.73 from a year earlier because of lower short term and long term investment and lower amount of advanced payment from security purchase.

Additionally, the net cash flow from financing activities was at Baht 811.21 million, increasing by Baht 49.27 million or by 6.46% from the previous year. Most financing activity was paid for dividend payment of Baht 729 million.

As a result, the Company recorded cash and cash equivalent of Baht 685.08 million as at 31 December 2017, increasing by Baht 148.10 million from the previous year.

As at 31 December 2017, the Company maintained the current ratio at 2.54 and average day sales at 1 day. In addition, the average days of debt collection stood at 43 days, and the average days of debt repayment was at 67 days. As a result, the cash cycle of the Company was at 23 days.

To be informed accordingly,

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(Ms. Petcharat Anantawichai)

Director and Senior Management Accounting Department
and Finance Department Manager
Company Secretary