

4Q18: Record sales, strong finish of the year Revenue

4Q18 sales grew by 3.7% YoY to THB 36,012mn, the record quarterly sales. The growth was largely driven by strong sales volume growth in Frozen and Chilled Seafood and PetCare businesses. Thai Baht appreciated against USD by only 0.4% YoY. 4Q18 sales in US Dollar term was at USD 1,098mn, up 4.1% YoY.

2018 sales declined by 1.2% YoY to THB 133.3bn. In US dollar terms, TU's sales were at USD 4.1bn, up 3.5% YoY.

Gross profit

4Q18 Gross profit was at THB 5,356mn, up 11.4% YoY, due to more stable raw material price and improved operation. As a result, 4Q18 margin was at 14.9%, up 104bps YoY.

2018 gross profit was at THB 18,892mn, down 2.2% YoY, driven mainly by weak operation during 1Q18.

Operating profit

4Q18 Operating profit was at THB 1,499mn, up 55.2% YoY, driven by weak profitability in 4Q17 from volatile raw material prices and good cost control during 4Q18. 4Q18 SG&A to sales ratio was at 10.7% down from 11.1% in 4Q17.

2018 SG&A ratio was at 10.7%, stable from 2017 level as TU continued to focus on cost efficiency. 2018 SG&A expenses was down 1.2% YoY.

Net profit

4Q18 normalized net profit was at THB 1,223mn, down 13.4% YoY, due to weaker non-operating items, compared to a year ago. The reported net profit was THB 1,067mn, which accounted for TMAC investment impairment (THB 87mn) and ESCo business closure-related expenses (THB 69mn after tax).

2018 Normalized net profits was down 13.4% YoY to THB 5,191mn, mainly from a poor 1Q18 result. Including one-time, non-operating items, TU recorded a reported 2018 net profit of THB 3,256mn.

TU announced a final DPS of THB 0.15 per share, making a 2018 DPS of THB 0.40 (59% payout ratio).

ND/E

TU's 2018-end net debt-to-equity ratio was at 1.35x, an improvement from end-2017 at 1.38x. Due to strong free cash flow, TU repaid over THB 3.5bn of debt during the year. The ratio was still well under the bond covenant requirement of 2.0x.

Stock Information

(Bloomberg/ Reuters)
(TU TB/ TU.BK)

Share price (18/02/2019)	THB 18.30
Historical price:	
52-week high	THB 20.50
52-week low	THB 20.00
No. of shares:	4,771.8m
Par value:	THB 0.25
Market Cap.	THB 87.3bn
Avg. value trade/day (YTD)	THB 231.0mn

Major shareholders

(28/12/2018)

Chansiri Family	19.57%
Thai NVDR Co., LTD.	8.03%
Mitsubishi Corporation	7.29%
Social Security Office	7.21%
Niruttinanon Family	6.86%

Business overview

Thai Union Group PCL (TU) is one of the world's largest seafood player. TU owns leading brands portfolio in key markets and global sourcing, production and distributing networks. TU's key products are canned tuna and frozen shrimp. TU also produces for external customers through its private label business. On the sustainability front, TU has shown strong commitments and is confident in its positive long term contribution to socio-economic development, conservation of natural resources and practice of ethical business conduct.

Key financial figures*

Unit: THB mn	2018	2017
Sales	133,285	134,937
Gross profit	18,892	19,310
EBITDA*	11,016	11,579
Net profit	5,191	5,989
EPS (THB)	1.09	1.26
GPM (%)	14.17	14.31
NPM (%)	3.89	4.44
ND/E (x)	1.35	1.38
ROCE (%)	7.7%	9.2%
IBD/EBITDA (x)	5.71	5.74

Remark: *Restated according to financial statement reported as of February 2019

Remark: Normalized operation excludes one-time, non-operating items related to 1) US legal settlement of THB 1,359mn (2Q18); 2) ESCo business closure-related expenses of THB489mn (2H18); and 3) TMAC, affiliated distributor of shrimp feed, investment impairment of THB 87mn (4Q18).

Financial Statements Analysis:

Unit: THB mn	4Q18	4Q17**	YoY	2018	YoY
Sales	36,012	34,733	3.7%	133,285	-1.2%
COGS	(30,656)	(29,927)	2.4%	(114,393)	-1.1%
GP	5,356	4,806	11.4%	18,892	-2.2%
SG&A	(3,857)	(3,840)	0.4%	(14,222)	-1.2%
FX gain (loss)	41	353	-88.4%	972	-22.8%
Other income*	356	644	-44.7%	2,386	-9.6%
EBIT	1,896	1,962	-3.4%	8,028	-9.0%
Finance cost	(524)	(532)	-1.5%	(2,025)	-5.2%
EBT	1,372	1,430	-4.1%	6,003	-10.2%
Tax	35	229	-84.7%	(189)	-390.8%
Net income	1,223	1,413	-13.4%	5,191	-13.3%
EPS	0.26	0.30	-13.4%	1.09	-13.3%
FX: USD/THB	32.81	32.95	-0.4%	32.34	-4.6%
GPM	14.9%	13.8%		14.2%	
%SG&A/Sales	10.7%	11.1%		10.7%	
NPM	3.4%	4.1%		3.9%	

*Other income incl. share of profit from investment in associates

**Restated mainly due to cost reclassification

In the early 2018, TU's core business operation started out very challenging with volatile raw material prices and strong Thai Baht appreciation, putting a lot of pressure on 1Q18 operating performance. Since then, the normalized operation performance has improved significantly in the second half of the year, with the company recorded 5-year high quarterly net profit during 3Q18 and record quarterly sales in 4Q18. While Thai Baht sales was marginally down 1.2% YoY, TU managed to report a record sales in US dollar term at USD 4.1bn, an increase of 3.5% YoY.

However, due to weaker non-operating items, including other income, FX gains, equity income and tax credit, the normalized net profits was under pressure. 2018 normalized net profit was THB 5,191mn, down 13.4% YoY.

TU has recorded a number of one-time, non-operating items that significantly affected the reported profits. Those items included 1) US legal settlement of THB 1,359mn (2Q18); 2) ESCo business closure-related expenses of THB489mn (2H18); and 3) TMAC investment impairment of THB 87mn (4Q18). Including these one-off items, TU's 2018 reported net profits was at THB 3,256mn.

Sales

4Q18 sales grew 3.7% YoY to THB 36,012mn, the record quarterly sales. Strong sales growth was driven mainly by solid sales volume growth in Frozen and Chilled Seafood and PetCare businesses. Thai Baht was relatively stable and appreciated only 0.4% YoY. Sales in US dollar term was at USD 1.1bn, up 4.1% YoY.

Due to Thai Baht appreciation against US dollar throughout much of the year, TU reported 2018 sales declined 1.2% YoY to THB 133,285mn. However, in US Dollar term, TU's 2018 sales was USD 4.1bn, up 3.5% YoY.

Gross profit

4Q18 Gross profit was at THB 5,356mn, up 11.4% YoY. The improvement was driven by a more stable raw material price environment, increased sales volume, and a keen focus on higher-margin value-added products, particularly from the Frozen and Chilled Seafood and PetCare businesses.

Despite a strong recovery in 2H18, 2018 gross profit was at THB 18,892mn, down 2.2% YoY, driven mainly by raw material prices and FX volatility that contributed to a weak 1Q18 performance. 2018 gross profit margin was at 14.2%, versus 14.3% during 2017.

Selling and administrative expenses

4Q18 SG&A expenses remained under control during the quarter. 4Q18 SG&A to sales ratio improved to 10.7%, down from 11.1% in 4Q17. In absolute terms, the SG&A expenses increased only 0.4% YoY vs sales growth of 3.7% YoY.

2018 SG&A to sales ratio was 10.7%, stable from 2017 level. However, the SG&A expenses was down 1.2% YoY to THB 14.2bn, which is mostly attributed to a strong cost control across the company.

FX Gain/loss

In 4Q18, the company reported FX gain of THB 41mn, compared with FX gain of THB 353mn a year ago. Falling FX gain during 4Q18 was a result of stable currency movement during the quarter (THB only appreciated 0.4% YoY and 0.5% QoQ against USD during 4Q18).

During 2018, the company reported FX gain of THB 972mn, mainly thanks to a prudent hedging practice amidst strong Thai Baht appreciation, especially during 1H18. However, the FX gain was still down from THB 1,259mn recorded in 2017, where the FX volatility persisted throughout the year.

Remark: Normalized operation excludes one-time, non-operating items related to 1) US legal settlement of THB 1,359mn (2Q18); 2) ESCo business closure-related expenses of THB489mn (2H18); and 3) TMAC, affiliated distributor of shrimp feed, investment impairment of THB 87mn (4Q18).

Other incomes (including share of income from investment in associates)

4Q18 normalized other incomes were at THB 356mn, down from THB 644mn during 4Q17 mainly due to the lack of one-off items during 4Q18 as well as weaker affiliate operation performance. Red Lobster contribution in terms of interest income remained consistent while equity income from Red Lobster has contributed less losses compared to a year ago. The normalized share of profits from investment in affiliates was negative THB 137mn, which was adjusted for THB87mn impairment of TMAC investment.

2018 other incomes decreased 9.5% YoY to THB 2,386mn, mainly attributable to a weaker contribution from affiliates and a lack of one-off, non-operating items during 2018.

Finance cost

4Q18 finance cost decreased by 1.5% YoY to THB 524mn (from THB 532mn during 4Q17). The decrease was partly attributed to the debt repayment of THB 3.5bn during 2018.

2018 finance cost was at THB 2,025mn, down 5.2% YoY from THB 2,136mn, partly due to debt repayment as mentioned above and lower effective interest cost of 3.07% vs 3.21% during 2017.

Income tax expense

4Q18 income tax credit was THB 35mn, from the tax credit of THB 229mn a year ago. 4Q17 tax situation was exceptionally positive thanks to change in tax rate in France and the US leading to significant tax credits.

2018 income tax expense was at THB 189mn, from the tax credit of THB 65mn during 2017. The tax expenses during 2018 was mainly due to a lack of aforementioned tax credit earned.

Net profit

4Q18 normalized net profit attributable to the owners of the parent decreased by 13.4% YoY to THB 1,223mn (from THB 1,413mn in 4Q17). While the core operation improved, the non-operating items, namely other income, equity income, FX gains and tax item, were weaker compared to a year ago. 4Q18 normalized net profit margin was 3.4%, versus 4.1% in 4Q17.

The reported net profit was THB 1,067mn, which accounted for TMAC investment impairment (THB 87mn) and ESCo business closure-related expenses (THB 69mn).

2018 normalized net profit was at THB 5,191mn, decreasing by 13.4% from THB 5,989mn in 2017. This decline was mainly attributable to a weak 1Q18 operating result. 2018 reported net profit was at 3,256mn, which accounted for a number of one-time non-operating items including 1) US legal settlement of THB 1,359mn (2Q18); 2) ESCo business closure-related expenses of THB489mn (2H18); and 3) TMAC investment impairment of THB 87mn (4Q18)

Dividend

Thai Union announced a final dividend of THB 0.15 per share, making a 2018 full-year dividend of THB 0.40 per share, representing 59% of reported net profits as stipulated by the bond covenant.

The dividend will be XD on 4 March 2019, with the book closing date as of 7 March 2019. The final dividend will be paid on 23 April 2019.

Financial position analysis:

As of 31 December 2018, TU's total assets were THB 141,916mn, down 2.9% from THB 146,092mn at the end of 2017, mainly due to improved net working capital, notably lower inventory and account receivables. Despite decreased sales at end of 2018, TU's 2018 inventory days was at 128 days, which showed an improvement from 129 days at the same period of 2017.

Net inventories fell by 11.1% from 2017-end to THB 38,371mn, partly due to efficient working capital management.

Trade and other receivables were at THB 16,018mn, down from end-2017 level of THB 16,344mn, due to better collection efficiency.

2018-end total non-current assets was at THB 82,895mn, slightly declined from end-2017 at THB 83,521mn.

Total current liabilities recorded a significant increase of 18.7% from end-2017 to THB 43,527mn as at end-2018. The increase was due to an increasing current portion of debentures from a normal debt repayment schedule. Nonetheless, accounts payable slightly decreased by 0.5% at end-2018 to THB 19,726mn.

Remark: Normalized operation excludes one-time, non-operating items related to 1) US legal settlement of THB 1,359mn (2Q18); 2) ESCo business closure-related expenses of THB489mn (2H18); and 3) TMAC, affiliated distributor of shrimp feed investment impairment of THB 87mn (4Q18).

Total liabilities decreased by 2.7% (THB 2,618mn) to THB 95,422mn at end-2018, due to debt repayment despite increasing current portion of debentures during 2018.

Total shareholders' equity decreased by 2.4% from end of 2017 to THB 43,233mn, mainly from the interim dividend payment for year 2018.

Cash Flow analysis:

During 2018, net cash receipts from operating activities were THB 12,866mn. Positive cash flow was driven mostly by profitable operations (EBITDA: THB 11,016mn in 2018) from operation improvement. Moreover, efficient working capital management have also eased the pressure on inventory. Despite weak sales (-1.2% YoY decreased), 2018 inventory value has declined by 11.1% which was more than sales compared to the previous year, as a result, net working capital days were at 110 days, down from 115 days during 2017.

Net cash payments for investing activities were THB 3,403mn, mainly from the regular capital expenditure during 2018.

TU recorded net cash payment for financing activities of THB 8,704mn during 2018, largely from an interim dividend payment and a short-term debt repayment during the period due to a strong operating cash flow generation.

Net increase in cash and cash equivalents, including exchange losses, was at THB 770mn resulting with the end-2018 cash and cash equivalents of THB 1,586mn (including the impact from the use of Bank Overdraft).

Financial ratio highlights:

	2018	2017	2016
A/R Days	38	38	41
Inventory Days	128	129	118
Current Ratio (x)	1.36	1.71	1.01
ROCE (%)	7.7%	9.2%	10.6%
ROE (%)	11.9%	13.7%	11.8%
ROA (%)	5.6%	6.1%	6.5%
ND/E (x)	1.35	1.38	1.37
IBD/EBITDA (x)	5.71	5.74	5.76
Interest Coverage (x)	3.96	4.13	5.27
BV (Baht/share)	9.06	9.28	9.06

Remark:

$Current\ ratio = Total\ current\ assets / total\ current\ liability$

$ROCE = Annualized\ EBIT / Average\ capital\ employed$

$Capital\ Employed = total\ assets - total$

$current\ liabilities\ (incl.\ current\ portion\ of$

$long-term\ debt)$

$ROE = Annualized\ quarterly\ net\ profit / average\ total\ shareholders'\ equity$

$ROA = Annualized\ quarterly\ EBIT / average\ total\ assets$

$ND/E = Interest-bearing\ debt - cash\ \&\ cash\ equivalents / total\ shareholders'\ equity$

$Debt/EBITDA = Interest-bearing\ debt / EBITDA$

$Interest\ coverage = EBIT / interest\ expense$

$BV = Total\ shareholders'\ equity / outstanding\ shares$

Receivable days as of 2018 remained at 38 days, compared to 2017. This showed the company's consistency in terms of collection turnover, while end-2018 receivable value declined 2.0%, in line with the sales decline by 1.2% over the same period.

Inventory days during 2018 declined to 128 days, compared to the previous year at 129 days, resulted from declined raw material price and a more efficient inventory management, resulting in inventory value delined 11.1% when compared to end-2017.

The current ratio at end-2018 was at 1.36 times versus 1.71 times at end-2017, mainly from falling inventory and accounts receivable value.

2018 ROCE was at 7.7%, from 9.2% in 2017, attributable to a lower profitability. Plus, average capital employed as of 2018 increased from 2017 level to THB 103,912mn.

Interest-bearing debt declined by THB 2,798mn from end-2017 (down 4.2%). As a result, the reported net debt-to-equity was at 1.35 times, down from the end-2017 level of 1.38x.

Although relatively high compared to the company's history, the ratio remained well below the debt covenant ratio of 2 times, thus post no near-term risk for our operations.

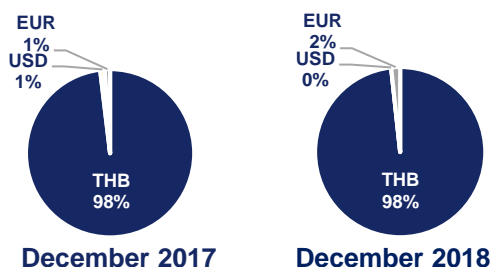
Amid a challenging operational environment, the company maintains a strong cash flow generation ability, enabling it to repay some debt during the year.

2018 Interest-bearing debt (IBD) to EBITDA ratio slightly increased to 5.85 times, from 5.81 times at end-2017 caused by EBITDA (-4.9% YoY) decrease while IBD saw a decrease of 4.2% YoY.

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Interest coverage ratio during 2018 was at 3.96 times, down from 4.13 times in 2017, mostly due to lower operating profit.

Interest-bearing debt profile by currency:

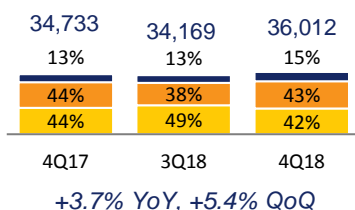


As of end-2018, interest-bearing debts were at THB 64,499mn, mainly denominated in the local currency. THB debts accounted for 98%, while EUR debts was 2% of total interest-bearing debt.

Business overview by business unit:

Total sales value

Unit: THB mn



- Ambient seafood
- Frozen, chilled seafood & related
- PetCare, value added & others

Ambient seafood¹: A steady performer

	4Q17	1Q18	2Q18	3Q18	4Q18
Value	15,224	14,100	16,363	16,806	14,994
Brand	52.0%	57.7%	55.8%	56.1%	50.4%
PL	48.0%	42.3%	44.2%	43.9%	49.6%
Volume	90,065	83,314	93,855	93,236	88,841

Value (unit: THB mn), Volume (unit: ton)

Remark: PL stands for Private Label business

4Q18 ambient sales declined 1.5% YoY to THB 14,994mn, due to weak EUR and reduction of lower margin bulk sales.

Gross profit margin increased 21bps YoY:

- A more stable tuna price environment
- Lower low-margin co-pack sales, while affected sales, improved ambient tuna business margin

As a result, ambient gross profit was at THB 2.5bn, similar to 4Q17 level.

2018 ambient seafood business reported sales of THB 62.3bn, similar to 2017 level despite currency impact.

Frozen, chilled seafood and related²: Focus on value added and lobster business turnaround

	4Q17	1Q18	2Q18	3Q18	4Q18
Value	14,961	11,149	12,962	13,031	15,651
Brand	34.8%	34.0%	35.0%	36.1%	35.2%
PL	65.2%	66.0%	65.0%	63.9%	64.8%
Volume	62,565	53,201	62,253	63,443	67,552

Value (unit: THB mn), Volume (unit: ton)

4Q18 Frozen and Chilled Seafood seafood sales was at THB 15,651mn, up 4.6% YoY, driven mainly by volume growth (+8.0% YoY) that outpaced shrimp price decline.

Gross profit margin was at 10.0%, up 39bps YoY, due to an increased focus on value added products.

Lobster business saw a turnaround with business profitability improved for 3 consecutive quarters from strong volume growth.

2018 Frozen and Chilled Seafood sales declined 3.3% YoY to THB 52,793mn, due to falling shrimp price, while volume continued to grow at 2.2% YoY.

PetCare, value-added and others³: Strong pent-up demand

	4Q17	1Q18	2Q18	3Q18	4Q18
Value	4,548	4,080	4,450	4,332	5,367
Brand	8.1%	8.5%	8.7%	9.4%	7.0%
PL	91.9%	91.5%	91.3%	90.6%	93.0%
Volume	39,862	37,638	37,843	39,596	45,539

Value (unit: THB mn), Volume (unit: ton)

PetCare and value-added sales increased 18.0% YoY to THB 5,367mn.

- PetCare business delivered a solid sales growth, driven by increased sales volume after soft demand over the past few quarters.
- Value-added products and others segment reported sales growth mainly attributable from the Thai market.

Gross margin has improved due to strong sales growth and better utilization during the quarter.

2018 PetCare, value-added and others business sales was at THB 18,229mn, up 0.9% YoY.

Remark: Normalized operation excludes one-time, non-operating items related to 1) US legal settlement of THB 1,359mn (2Q18); 2) ESCo business closure-related expenses of THB489mn (2H18); and 3) TMAC, affiliated distributor of shrimp feed, investment impairment of THB 87mn (4Q18).

Remark:

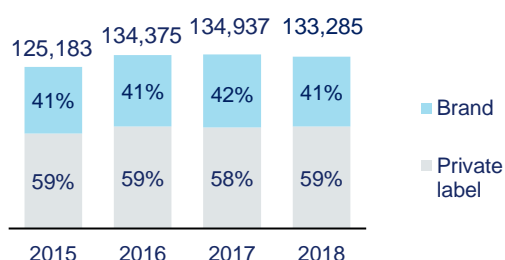
¹ Ambient seafood business includes entire tuna, entire sardine & mackerel and ambient & pouch salmon businesses

² Frozen, chilled seafood and related business includes shrimp & related (shrimp, lobster, shrimp feed & value-added shrimp), frozen, chilled & smoked salmon and other seafood (frozen cephalopod, crab, scallop, shellfish and other fish) businesses

³ PetCare, value added & others business includes PetCare, value-added businesses (Ready-to-Eat products, maguro & cephalopod sashimi, local products, bakery products and snack)

Sales breakdown by brand vs. private label:

Unit: THB million



2018 branded sales mix was at 40.7% (compared to 43.2% during 2017), leaving private label sales contributing to the remaining 59.3% of 2018 sales. 2018 total branded sales decreased 6.9% YoY, mainly due to both USD and EUR depreciation, which resulted in weaker sales contribution from branded sales in key US and European markets.

Private label sales reported 3.1% YoY growth due mainly to sales volume growth.

Business overview by region:

THB Mn	2015	2016	2017	2018
Total sales	125,183	134,375	134,937	133,285
USA	42.2%	39.4%	38.8%	37.7%
Europe	29.4%	32.5%	30.8%	30.4%
Japan	6.3%	6.4%	6.3%	5.7%
Domestic	8.0%	8.3%	9.2%	10.5%
Others	14.1%	13.4%	14.9%	15.7%

Remark: *Others represent Asia, Australia, Middle East, Canada, Africa, South America and others

2018 Sales contribution in key markets shifted in favor of domestic Thai market. This was partly due to company focus on selling products in the domestic market to offset weaker export sales, resulted from intense competition and unfavorable currency shift.

US market sales contribution shrunk YoY mainly due to USD depreciating against THB in 2018.

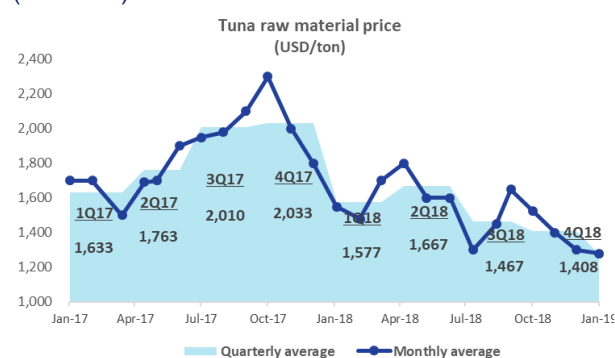
US market sales contribution was at 37.7% of total sales, European market at 30.4%, Japan at 5.7%, and domestic sales at 10.5%.

Key operating factors:

Raw material prices

Skipjack tuna

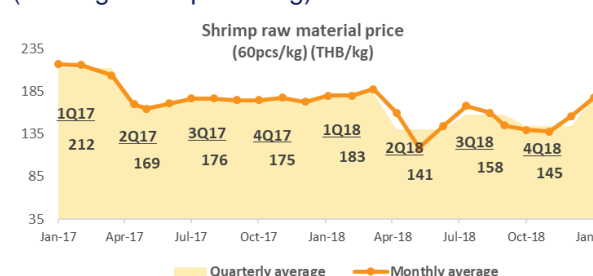
(USD/ton)



In January 2019, tuna price closed at USD 1,280/ton. In 4Q18 average price was at USD 1,408/ton (-31.0% YoY, -4.0% QoQ).

White shrimp

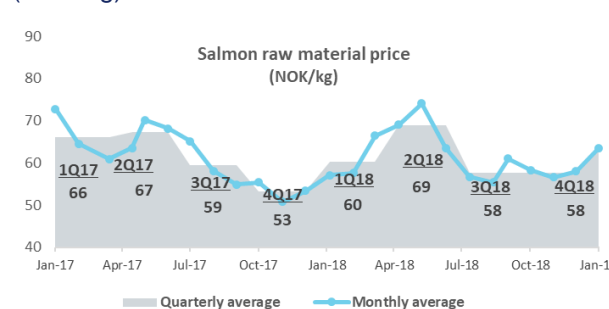
(THB/kg. of 60 pieces/kg)



In January 2019, shrimp price closed at THB 178/kg. In 4Q18, average price was at THB 145/kg (-17.5% YoY, -8.4% QoQ).

Salmon

(NOK/kg)



Remark: Normalized operation excludes one-time, non-operating items related to 1) US legal settlement of THB 1,359mn (2Q18); 2) ESCo business closure-related expenses of THB489mn (2H18); and 3) TMAC, affiliated distributor of shrimp feed, investment impairment of THB 87mn (4Q18).

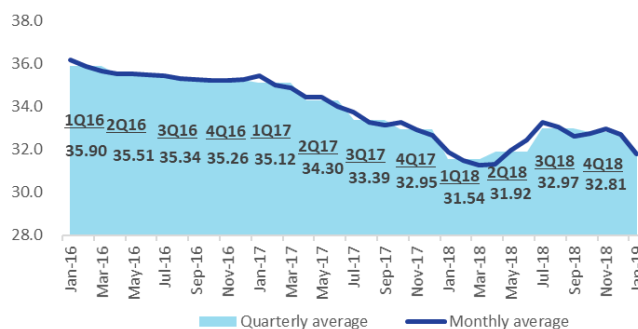
Thai Union Group Public Company Limited

Management Discussion and Analysis for FY2018 Results, ended 31 December, 2018

In January 2019, salmon price closed at NOK 64/kg. In 4Q18, average price was at NOK 58/kg (+8.4% YoY, +0.2% QoQ).

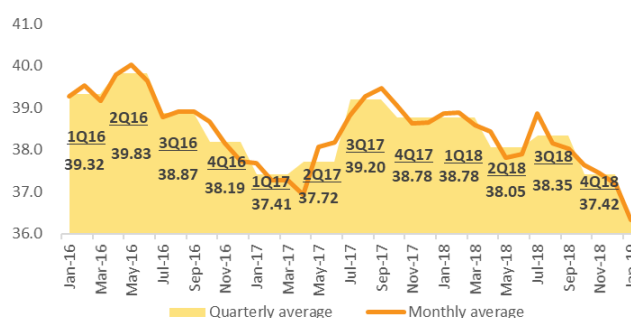
Exchange rates

USD/THB



In January 2019, USD/THB closed at THB 31.82. In 4Q18, average USD/THB was at THB 32.81 (-0.4% YoY, -0.5% QoQ).

EUR/THB



In January 2019, EUR/THB closed at THB 36.33. In 4Q18, average EUR/THB was at 37.42 (-3.5% YoY, -2.4% QoQ).

GBP/THB



In January 2019, GBP/THB closed at THB 41.00. In 4Q18, average GBP/THB was at 42.19 (-3.5% YoY, -1.9% QoQ).

Key developments

Sustainability/Environmental, Social, and Governance (ESG)

- 24 December, 2018** – Thai Union joined 39 other leading Thai firms to launch the Global Compact Network Thailand (GCNT) with United Nations. GCNT is a network of collaboration between private companies working towards UN's sustainable development goals (SDG's) in Thailand. This reflects Thailand's private sector efforts to find sustainable business development strategies.
- 8 January, 2019** – The European Union has lifted the yellow card on Thailand. The fight against IUU fishing has been ongoing in Thailand and Thai Union is proud to have worked with Royal Thai Government to promote positive changes in Thai fishing industry. Thai Union anticipates that this will help in promoting seafood trade to EU from Thailand.
- 9 January, 2019** – Thai Union provided 1,000 humanitarian relief packs containing bottled water, SEALECT Mackerel, SEALECT Tuna, rice and FISHO snacks to provide assistance to those impacted by Tropical Storm Pabuk in Thailand's Nakhon Si Thammarat Province.
- 18 January, 2019** – SeaChange® IGNITE announced the rating upgrade of the Sri Lankan blue swimming crab to "Good Alternative" recommendation. This is the first product offering since SeaChange® IGNITE's launch in May 2018.
- 28 January, 2019** – Thai Union and the International Transport Workers' Federation co-hosted a health and safety training for more than 70 fishers in Chumphon, Thailand. The training included a guidance about first aid, basic medical training techniques (CPR, etc.), fire safety, good health practices, and how to use bank accounts in Thailand.
- 11 February, 2019** – Thai Union and WWF released the first sourcing transparency report: wild caught fish and shellfish. As part of Thai Union's commitment to transparency in its operations and sustainability journey, Thai Union shares its supply chain data with WWF, who has assessed and advised on the environmental sustainability of the company's seafood throughout a four-year partnership.

Innovation

- **5 February, 2019** – Thai Union has partnered with National Innovation Agency (NIA) and Mahidol University's Science Faculty to launch the food tech startup initiative, SPACE-F, as Thai Union focuses on its strength in innovation as a recipe for success in the global food business.

Investment and Corporate Action

- **21 December, 2018** – Red Lobster launched its first China store in downtown Shanghai, IFC Mall, as part of the American casual dining chain's plan to tap the Chinese market and their growing demand for quality seafood. The chain was launched as a joint venture with FYM Restaurants, the operator of China's Morton's Steakhouse restaurants.

Operations

- **28 November, 2018** – Following Thai Union's subsidiary, Européenne de la Mer's, announcement of its intention to divest the loss-making chilled salmon business in Scotland, The Edinburgh Salmon Company Ltd ("ESCO"), no feasible alternative solution to closure had been found during collective consultation period. As a result, ESCo ceased operations on 31 December, 2018. Thai Union recorded expenses related to the business closure of ESCo amounted to THB 420mn in 3Q18 and THB 69mn in 4Q18.

Awards and recognitions

- **15 November, 2018** – Thai Union was Highly Commended for promoting ethical recruitment and migrant rights by judges for the Stop Slavery Award from Thomson Reuters Foundation. Launched in 2015, the award is the 1st global recognition for businesses which sets a gold standard to eradicate forced labor from supply chains.

2019 Financial Target:

Sales	+5% YoY
GPM	15%
SG&A to sales	10%
Effective interest rate	No material change from 2017
CAPEX	Approx. THB 4.8bn
Dividend Policy	At least 50% payout

Thai Union has set its 2019 financial targets based on the current preliminary forecast which may subject to change if the key operating factors that affect the company's operating performances variate from the company assumptions.

Material risk factors

Statements included or incorporated by reference herein may constitute "forward-looking statements," which are based on expectations, forecasts, and assumptions by the company's management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

- Fluctuations in raw material prices from, but not limited to: 1) disruptions in the supply of key raw materials, 2) outbreak of marine diseases;
- Non-tariff trade barrier and international regulation that threat to ban seafood trade in the countries where Thai Union is operating, including the sustainability issues covering responsible sourcing and safe and legal labor;
- Rising consumer awareness about seafood-related sustainability issues;
- Fluctuations in currency exchange rates;
- Risks associated to new investment and M&As including post-merger integration;
- Risks associated to the new product innovations does not keep up with the customer and consumer tastes, preferences and behaviors;
- Fish and seafood competitive landscape as some seafood market growth has become stagnant over the past few years;
- Continued or increased price competition;
- Risks associate to the international and local tax changes;
- Risks associated to the international and local law and regulations

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- Risks associated to the inventory management to fulfill to customer order while optimize the company's financial performance;

However, Thai Union also anticipates various inherent risks, which are currently immaterial, which involving macro environment, industry sustainability investment, good governance, health and safety, internal operation and financial activities, for example:

- Changing international trade regulation and tariff;
- Decline in industry sales volume, particularly in the United States and European markets, due to financial crisis, recession, geopolitical events, or other factors;
- Decline in the company's market share or failure to achieve growth;
- Fluctuations in interest rates;
- Adverse effects resulting from economic, geopolitical, or other events;
- Work stoppages at the company's facilities or other limitations on production (whether as a result of labor disputes, natural or man-made disasters, production constraints or difficulties, or other factors);
- Labor or other constraints on the company's ability to maintain competitive cost structure;
- The discovery of defects in the company's products resulting in delays in product launches, recall campaigns, or increased warranty costs;
- Adverse effects on results from a decrease in or cessation or expiration of government incentives related to investments;
- Increased competition from suppliers, customers or third parties seeking to expand their presence vertically.

Thai Union is aware of importance of risk management throughout organization. Thai Union has a clear risk management policy and structure with systematic and consistent framework to proactively manage the aforementioned risks.

However, the company cannot be certain that any expectation, forecast, or assumption made in preparing forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. The company's forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events, or otherwise.

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Statement of Income**

(Unit: THB mn)	Consolidated							
	4Q18	% to sales	4Q17**	% to sales	3Q18	% to sales	4Q18/ 4Q17 Change	4Q18/ 3Q18 Change
Sales	36,012	100%	34,733	100%	34,169	100%	3.7%	5.4%
Cost of sales	(30,656)	-85.1%	(29,927)	-86.2%	(28,762)	-84.2%	2.4%	6.6%
Gross profit	5,356	14.9%	4,806	13.8%	5,406	15.8%	11.4%	-0.9%
SG&A expenses	(3,857)	-10.7%	(3,840)	-11.1%	(3,540)	-10.4%	0.4%	9.0%
FX gain (loss)	41	0.1%	353	1.0%	128	0.4%	-88.4%	-68.0%
Other income*	356	1.0%	644	1.9%	515	1.5%	-44.7%	-30.9%
EBIT	1,896	5.3%	1,962	5.6%	2,510	7.3%	-3.4%	-24.5%
Finance cost	(524)	-1.5%	(532)	-1.5%	(501)	-1.5%	-1.5%	4.6%
EBT	1,372	3.8%	1,430	4.1%	2,009	5.9%	-4.1%	-31.7%
Tax	35	0.1%	229	0.7%	(146)	-0.4%	-84.7%	-124.0%
Profit (Loss) from discontinued operation	(60)	-0.2%	(110)	-0.3%	(66)	0.0%	-45.5%	-9.1%
Net income	1,347	3.7%	1,550	4.5%	1,797	5.3%	-13.1%	-25.0%
Net income (loss) attributable to:								
Equity holders of the Company	1,223	3.4%	1,413	4.1%	1,731	5.1%	-13.4%	-29.3%
Non-controlling interests of the subsidiaries	124	0.3%	137	0.4%	66	0.2%	-9.5%	87.9%
Earnings per share								
Basic earnings per share	0.26		0.30		0.36		-13.4%	-29.3%
Diluted earnings per share	0.26		0.30		0.36		-13.4%	-29.3%
Exchange rate								
THB/USD	32.81		32.95		32.97		-0.4%	-0.5%

(Unit: THB mn)	2018					2017**				
	2018	% to sales	2017**	% to sales	2018/ 2017 Change	2017**	% to sales	2016**	% to sales	2017**/ 2016** Change
Sales	133,285	100%	134,937	100%	-1.2%	134,937	100%	134,937	100%	-
Cost of sales	(114,393)	-85.8%	(115,628)	-85.7%	-1.1%	(115,628)	-85.7%	(115,628)	-85.7%	-
Gross profit	18,892	14.2%	19,310	14.3%	-2.2%	19,310	14.3%	19,310	14.3%	-
SG&A expenses	(14,222)	-10.7%	(14,388)	-10.7%	-1.2%	(14,388)	-10.7%	(14,388)	-10.7%	-
FX gain (loss)	972	0.7%	1,259	0.9%	-22.8%	1,259	0.9%	1,259	0.9%	-
Other income*	2,386	1.8%	2,638	2.0%	-9.6%	2,638	2.0%	2,638	2.0%	-
EBIT	8,028	6.0%	8,818	6.5%	-9.0%	8,818	6.5%	8,818	6.5%	-
Finance cost	(2,025)	-1.5%	(2,136)	-1.6%	-5.2%	(2,136)	-1.6%	(2,136)	-1.6%	-
EBT	6,003	4.5%	6,682	5.0%	-10.2%	6,682	5.0%	6,682	5.0%	-
Tax	(189)	-0.1%	065	0.0%	-390.8%	065	0.0%	065	0.0%	-
Profit (Loss) from discontinued operation	(224)	-0.2%	(286)	0.0%	0.0%	(286)	0.0%	(286)	0.0%	-
Net income	5,589	4.2%	6,461	4.8%	-13.5%	6,461	4.8%	6,461	4.8%	-
Net income (loss) attributable to:										
Equity holders of the Company	5,191	3.9%	5,989	4.4%	-13.3%	5,989	4.4%	5,989	4.4%	-
Non-controlling interests of the subsidiaries	398	0.3%	471	0.3%	-15.5%	471	0.3%	471	0.3%	-
Earnings per share										
Basic earnings per share	1.09		1.26		-13.3%	1.26		1.26		-
Diluted earnings per share	1.09		1.26		-13.3%	1.26		1.26		-
Exchange rate										
THB/USD	32.34		33.88		-4.6%	33.88		33.88		-

*Other income incl. share of profit from investments in associates

**Restated according to financial statement reported as of February 2019

Remark: Normalized operation excludes one-time, non-operating items related to 1) US legal settlement of THB 1,359mn (2Q18); 2) ESCo business closure-related expenses of THB489mn (2H18); and 3) TMAC, affiliated distributor of shrimp feed, investment impairment of THB 87mn (4Q18).

Statement of Financial Position

(Unit: THB mn)	2018 % to total assets		2017 % to total assets		Change
Cash and cash equivalents*	1,586	1.1%	815	0.6%	94.6%
Trade and other receivables - net	16,018	11.3%	16,344	11.2%	-2.0%
Inventories - net	38,371	27.0%	43,184	29.6%	-11.1%
Other current assets	3,046	2.1%	2,174	1.5%	40.1%
Total current assets	59,021	41.6%	62,581	42.8%	-5.7%
Fixed assets	26,476	18.7%	25,261	17.3%	4.8%
Goodwill and other intangible assets	29,407	20.7%	30,851	21.1%	-4.7%
Other non-current assets	27,012	19.0%	27,398	18.8%	-1.4%
Total Assets	141,916	100%	146,092	100%	-2.9%
Bank overdrafts and short-term loans	13,468	9.5%	15,365	10.5%	-12.3%
Trade and other payables	19,726	13.9%	19,823	13.6%	-0.5%
Current portion of long-term loans	147	0.1%	849	0.6%	-82.7%
Current portion of debentures	9,149	6.4%	0	0.0%	-
Current portion of finance lease liabilities	39	0.0%	47	0.0%	-17.5%
Other current liabilities	999	0.7%	573	0.4%	74.2%
Total current liabilities	43,527	30.7%	36,657	25.1%	18.7%
Long-term loans from financial institutions	14,569	10.3%	14,712	10.1%	-1.0%
Debentures	27,014	19.0%	36,169	24.8%	-25.3%
Finance lease liabilities - net of current portion	114	0.1%	155	0.1%	-26.4%
Other non-current liabilities	10,198	7.2%	10,348	7.1%	-1.4%
Total Liabilities	95,422	67.2%	98,040	67.1%	-2.7%
Non-controlling interests of the subsidiaries	3,261	2.3%	3,768	2.6%	-13.5%
Total Shareholders' Equity	46,494	32.8%	48,051	32.9%	-3.2%
Total liabilities and shareholders' equity	141,916	100%	146,092	100%	-2.9%

*Including short term investment

Cash flow statement

(Unit: THB mn)	Consolidated		
	2018	2017	Change
Profit before income tax	3,664	6,362	(2,698)
Adjustments for depreciation & amortisation expenses	2,989	2,761	228
Other adjustments	3,021	1,383	1,638
Changes in operating assets and liabilities	3,659	(2,830)	6,489
Cash flows receipts from operating activities	13,333	7,675	5,658
Net cash receipts (payments) from operating activities	12,866	6,818	6,048
Net cash payments for investing activities	(3,403)	(2,424)	(979)
Net cash receipts (payments) for financing activities	(8,704)	(4,552)	(4,152)
Net increase (decrease) in cash and cash equivalent	759	(158)	917
Cash and cash equivalents - opening balance	573	731	(158)
Exchange gain (loss) on cash and cash equivalents	(21)	0	(21)
Cash and cash equivalents - closing balance	1,311	573	738
CAPEX	(4,898)	(5,505)	607
Management Est. Free Cash Flows*	8,401	2,938	5,463

*Figures as reported in February 2019

Remark: Normalized operation excludes one-time, non-operating items related to 1) US legal settlement of THB 1,359mn (2Q18); 2) ESCo business closure-related expenses of THB489mn (2H18); and 3) TMAC, affiliated distributor of shrimp feed, investment impairment of THB 87mn (4Q18).