



Management Discussion and Analysis For the year ended 31 December 2018

1. Operating Results

1.1 Sales Revenue

The company achieves total sales income for the year 2018 at the amount of 22,436.89 million baht, increasing by 805.94 million baht or 3.73% as compared to the same period of the year 2017. Such total sales income consists of the sales volume of PB at the amount of 7,495.49 million baht, equal to 33.40% of the total sales volume. The sales volume for the part of the business (TFMAMA) has an increasing growth from the same period of the previous year by 5.35%. The key reason is from the growth of foreign market and the addition of new products into the market continuously. At the same time, the sales volume of PB has increased by 0.63% due to the price increase of some products.

1.1.1 Sales Revenue Classified by Products

The revenue structure of the Company is summarized as following

Product Line	Business Group	Operated by	% Shareholding	Sales Revenue					
				Year ended on Dec 31, 2018		Year ended on Dec 31, 2017		Year ended on Dec 31, 2016	
				Million Baht	%	Million Baht	%	Million Baht	%
Instant Noodles and Semi-finished Food	Food	Thai President Foods Plc (TFMAMA)	-	11,961	53.11	11,273	52.11	10,839	51.26
		Kallol Thai President Foods (BD) Ltd.	55.00						
		Thai President Foods (Hungary) Kft. (Hungary)	65.00						
		President Kourakuen Co., Ltd.	70.00						
Bakery	Food	President BakeryPlc	51.99	7,495	34.40	7,449	34.44	7,569	35.80
Biscuit	Food	Thai President Foods Plc (TFMAMA)	-	852	3.80	873	4.04	857	4.06
Fruit Juice	Food	Taisun Foods Co., Ltd.	52.08	975	4.35	890	4.11	857	4.05
Packaging	Packaging	Thai Anbao Paper Products Co., Ltd.	51.00	983	4.38	1,023	4.73	895	4.23
		Dai-Ichi Packaging Co.,Ltd.	50.10						
Other	Raw material	President Flour Mill Co.,Ltd.	60.00	171	0.76	123	0.57	127	0.60
	Investing	President D Venture Co.,Ltd.	70.00						
Total				22,437	100.00	21,631	100.00	21,144	100.00

1.1.2 Sales Revenue Classified by Product type and Market location of each Company

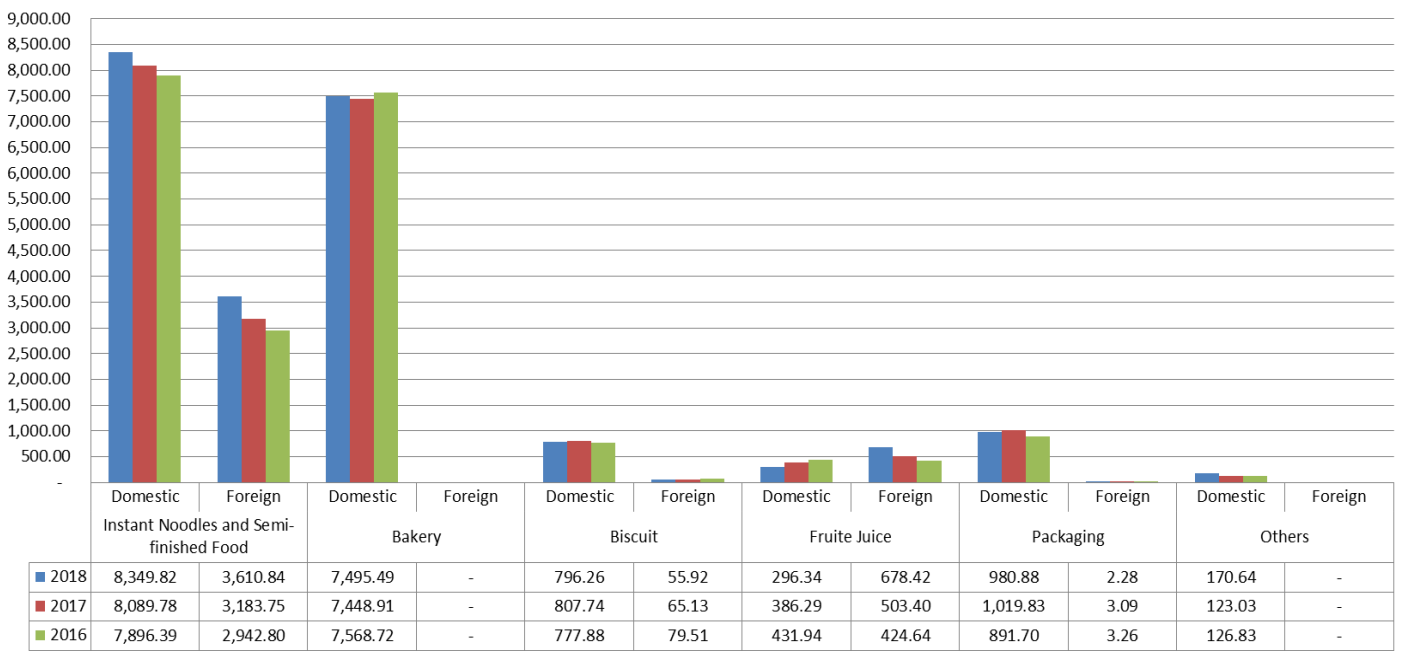
- Instant Noodles and Semi-finished Food

Domestic Market

The growth rate for the period ended 31 December 2018 is 3.21% as compared with the previous year. The instant noodles grew by 4.02% due to the development of products and continuous marketing activities. Apart from that, the company designed new products which receive responses from the consumer at a satisfied level, while the sales volume of the instant foods, which are white noodle, porridge and boiled rice decreased by 3.33% due to the effect from the reduction of goods display area in Modern Trade Mall.



Sales Revenue Classified by Product Type (Unit : Million baht)



Foreign Market

The growth rate for the period ended 31 December 2018 is 13.41% as compared with the previous year. The instant noodles and instant foods grew by 11.34% and the other instant foods has growth rate of 23.68%. The sales volume for the market in Asia Region still have the highest ratio per sales volume, while the growth rate of European market is the best in the previous year due to the effect from the adjustment of marketing strategies and the arrangement of sales promotional activities with the sales representative in foreign countries, so the products of the company become well known and accepted in world market.

■ Bakery

The sales revenue of bakery products for the year ended on Dec 31, 2018 increased by 0.63% from the previous year, resulting from the company strategy that has introduced new products, and performed continuous advertising and sales promotion activities in order to encourage sales volume and to distribute our products to widen customers, together with adjusted price of some products.

■ Other Products

For the overall sales volume of other products which consists of the goods on biscuit category, packaging, fruit juice, etc. for the period ended 31 December 2018 has the growth rate at 2.48%. The sales volume of fruit juice in foreign county has expanded greatly, while the goods on biscuit category and packaging has a decreased sales volume due to the market condition that has harsh competition.



1.2 Cost of Sales

Cost of sales for the period of year 2018 is 14,528.33 million baht, increased by 173.78 million baht or 1.21% as compared to the same period of the previous year since the use of raw materials and packaging in production has increased as per the sales volume, plus the price of wheat flour which is the main raw materials of the production has increased from the previous year by approximately 10%. However, as comparing the ratio of cost of sales to the sales income, it is 64.75%, which is lower than the previous year by 1.61%.

1.3 Selling and Administrative Expenses

The selling and administrative expenses totaled to Baht 3,627.78 million, increasing by Baht 16.28 million or by 0.45% from the previous year. The higher expense was attributed to higher remuneration of the employees, such as salary, overtime, allowance according to increasing number of employee and salary base together with the higher marketing expense. However, the ratio of selling and administrative expenses to total sales revenue ratio was at 16.17%, slightly decreasing from the previous year.

1.4 Net Profit

The net profit, in the part of shareholders' equity of the company, for the year stood at Baht 3,404.40 million, increasing by Baht 550.91 million or by 19.31% from the previous year, mainly due to increasing sales volume, while the company could manage its cost to stay at low level. In a meantime, the company maintained the profit margin at 18.97% of total income.

2. Financial Position

2.1 Assets

Total assets of the company as of Dec 31, 2018 amounted to Baht 30,841.57 million, increasing by Baht 1,478.40 million or by 5.03% from the previous year. The main assets of the company consisted of the fixed assets of Baht 17,448.29 million, accounting for 56.57% of total assets, and the current assets of Baht 13,393.28 million, accounting for 43.43% of total assets. The increasing assets of the company was mainly attributed to increasing cash and cash equivalent item as a result of higher net profit, and increasing investments in associates item which was the investment in property business.

The trade account receivable of the Company in 2018 stood at Baht 3,693.64 million, accounting for 11.98% of total assets and increasing by 1.87% from the previous year in accordance with higher sales volume. The major trade account receivable from domestic market of the company was due from Sahapathanapibul PCL, whereas the average debt collection period was at 60 days, or decreasing by 1 day from the previous year. In addition, the company had set aside the allowance for doubtful accounts by Baht 16.27 million, which was sufficient to cover the account receivable due longer than 3 months. In overall, the trade account receivable of the company was mostly paid on schedule. Although a few foreign accounts were paid overdue, such delayed payment constituted an insignificant portion, when compared with total trade accounts.



The inventory of the company in 2018 amounted to Baht 1,375.93 million, accounting for 4.46% of total assets and increasing by 1.73% from a year earlier. In addition, the average shelf life of instant noodles products stood at 180 days, whereas the average days sales was at 34 days.

2.2 Liability

Total liability of the company as of Dec 31, 2018 amounted to Baht 4,018.62 million, increasing by Baht 312.66 million or by 8.44% from the end of 2017 as a result of increasing amount of outstanding liability and accrued expenses because of the higher sales volume and the accrued expense to be recorded for undue payment. However, most liability of the company was current liability, whereas the long-term liability was accounted for 25.26% of total liabilities. Meanwhile the debt to equity ratio of the company was at 0.18 time.

2.3 Shareholders' Equity

The shareholders' equity of the company as of Dec 31, 2018 amounted to Baht 26,822.96 million, increasing by Baht 1,165.75 million or by 4.54% from the end of 2017 because of net profit in the period. In 2018, the Company recorded the dividend payment for the second half-year of 2017 at Baht 537.42 million, and the interim dividend payment for the period ended on June 30, 2018 at Baht 629.73 million. In addition, the book value of the Company increased by 3.53 Baht per share from 77.82 Baht per share to 81.35 Baht per share, or rising by 4.54% from the preceding year.

3. Liquidity Position and Suitability of Capital Structure

3.1 Liquidity Position

The net cash from operating activities of the company in 2018 amounted to Baht 5,352.36 million, whereas the net cash used for investing and financing activities amounted to Baht 2,974.07 million and Baht 1,263.48 million respectively. The Company, as of Dec 31, 2018, recorded net cash and cash equivalent of Baht 3,876.09 million, increasing by Baht 1,098.71 million from 2017. The important details were summarized as follows,

The cash inflow from operating activities totaled to Baht 5,352.36 million, mainly due to the operating profit before tax of Baht 4,932.52 million which increased by 16.47% from the year 2017. The company used Baht 2,974.07 million for investing activities, mostly in investment in associated companies which was the exploring in property business and the Company also purchased additional machinery and equipment. In addition, the cash paid for financing activities was at Baht 1,263.48 million, mainly due to the dividend payment of Baht 1,166.96 million. However, the company was able to maintain strong liquidity ratio. The current ratio and the quick ratio of the Company in 2018 stood at 4.09 and 3.61 times respectively, increasing from the ratio in the previous year. Meanwhile, the cash cycle of the company was at 41 days.



3.2 Suitability of Capital Structure

The liability to shareholders' equity ratio of the company as of Dec 31, 2018 was low at 0.02 time, while the interest coverage ratio was high at 160.17 times, thus reflecting the stability of capital structure and strong capability of debt service of the company.

4. Remuneration to the Auditor (Separate financial statements)

The Company paid for the remuneration to the Auditor as following,

4.1 The Auditing Fee amounted to 2,760,000 Baht

4.2 The Other Fees consisted of

4.2.1 The auditing fee for specific requirement as prescribed by the investment promotion certificate of the Board of Investment amounted to 800,000 Baht