

Interim Management Discussion and Analysis for the 1st Quarter 2019

Management Discussion and Analysis

This interim MD&A report has been prepared based on the consolidated of GFPT Public Company Limited (“GFPT” or “the Company”) and its subsidiaries (collectively, “GFPT Group”) for the 1st Quarter 2019 as well as included any significant transactions occurred during the 1st Quarter 2019.

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 from several financial institutions.

A summary of the key operational matters and events for the 1st Quarter 2019

Financial Highlights	1Q 2019		1Q 2018		Change	
	THB million	% Sales	THB million	% Sales	THB million	%
Revenue from Sales	3,966.01	100.00	3,733.10	100.00	232.91	6.24
Gross Profit	533.79	13.46	509.41	13.65	24.38	4.79
EBITDA	603.72	15.22	523.27	14.02	80.45	15.37
Net Profit	227.86	5.74	145.92	3.91	81.94	56.16

Overall financial performance of GFPT Group in 1Q2019 improved from the same period last year thanks to higher revenue from sales, higher gross profit, higher share of profit from associated companies, and higher net profit comparing to 1Q2018.

GFPT Group had total revenue from sales of THB 3,966.01 million in 1Q2019, representing an increase of THB 232.91 million or 6.24% up from 1Q2018 mainly from higher revenue of chicken processing business which increased by THB 248.80 million or 17.75% up comparing to 1Q2018 mainly from higher revenue from direct export chicken products

The consolidated gross profit was THB 533.79 million in 1Q2019, increased by THB 24.38 million or 4.79% up from 1Q2018 from increasing in total revenue from sales. The consolidated gross profit margin contributed of 13.46% in 1Q2019, slightly decreased from 13.65% in 1Q2018.

The participating profit from associates was THB 21.74 million in 1Q2019, increased by THB 56.48 million or 162.57% up comparing to 1Q2018. In addition, the consolidated EBITDA in 1Q2019 was THB 603.72 million, increased by THB 80.45 million or 15.37% up from 1Q2018.

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Finally, consolidated net profit in 1Q2019 accounted for THB 227.86 million or equal to EPS of THB 0.18 per share, or 56.16% up from 1Q2018. For capital structure of the Group, as at March 31, 2019, the consolidated debt to equity ratio was 0.43 time and the consolidated net debt to equity ratio was considerably low at 0.26 time.

Overall Financial Performance and Profitability

Business Segment of GFPT Group	1Q 2019		1Q 2018		Change	
	THB million	%	THB million	%	THB million	%
Chicken Processing Segment	1,650.69	41.62	1,401.89	37.55	248.80	17.75
Feed Segment	765.32	19.30	706.21	18.92	59.11	8.37
Farm Segment	1,369.22	34.52	1,448.90	38.81	(79.68)	(5.50)
Processed Food Segment	180.78	4.56	176.10	4.72	4.68	2.66
Revenue from Sales	3,966.01	100.00	3,733.10	100.00	232.91	6.24

Revenue from Sales

The consolidated revenue from sales for 1Q2019 were THB 3,966.01 million, increased by THB 232.91 million or 6.24% up from 1Q2018, mostly from higher revenue from chicken processing business which increased by THB 248.80 million or 17.75% up comparing to 1Q2018.

The consolidated revenue from sales in 1Q2019 consisted of chicken processing segment represented 41.62%, feed segment represented 19.30%, farm segment represented 34.52%, and processed food segment represented 4.56%.

Chicken Processing Segment

Revenue from chicken processing business in 1Q2019 consisted of revenue from direct export cooked chicken products and fresh frozen chicken meat, indirect export of chicken meat, and domestic sales of chicken parts, represented 41.62% of revenue from sales, amounting THB 1,650.69 million, increased by THB 248.80 million or 17.75% up from 1Q2018.

The Company's total export of chicken products for 1Q2019 was 9,700 metric tons, increased by 2,500 metric tons or 34.72% up from 1Q2018 mostly from increasing in export volume of fresh chicken meat to China.

Feed Segment

Revenue from feed business consisted of revenue from animal feed, fish feed, and shrimp feed, represented 19.30% of revenue from sales, amounting THB 765.32 million, increased by THB 59.11 million or 8.37% up from 1Q2018.

Revenue from feed business mostly increased from higher revenue from shrimp feed and animal feed which increased by 31.38% and 7.83%, respectively.

Farm Segment

Revenue from farm business consisted of revenue from selling live broilers to GFN, our joint venture, and selling day-old-chicks to both international and domestic market, represented 34.52% of revenue from sales in 1Q2019.

Revenue from farm business was THB 1,369.22 million, decreased by THB 79.68 million or 5.50% down from 1Q2018 mainly from lower revenue from selling live broilers and day-old-chicks.

Processed Food Segment

Revenue from processed food business consisted of chicken sausage, and other processed chicken products for domestic market, represented 4.56% of revenue from sales. In 1Q2019, the revenue from processed food was THB 180.78 million, slightly increased by THB 4.68 million, or 2.66% up from 1Q2018.

Revenue from processed food business in 1Q2019 increased from higher selling price of processed food which increased by 7.93% comparing to 1Q2018.

Cost of Sales and Gross Profit

Cost of sales for 1Q2019 was THB 3,432.23 million, an increase of THB 208.54 million or 6.47% up from 1Q2018 while gross profit in 1Q2019 was THB 533.79 million, rose by THB 24.38 million or 4.79% up from 1Q2018 primarily from higher revenue from sales.

Cost of sales for 1Q2019 contributed of 86.54% of revenue from sales, slightly increased from 86.35% in 1Q2018 while gross profit margin contributed about 13.46% in 1Q2019, slightly decreased from 13.65% in 1Q2018.

Other Income

The consolidated other income in 1Q2019 was THB 66.73 million, decreased by THB 13.41 million or 16.73% down from 1Q2018, predominantly from decreasing of duty import tax return under section 19 bis. The consolidated other incomes in 1Q2019 was 1.68% of revenue from sales, gradually decreased from 2.15% in 1Q2018.

Selling General and Administrative Expenses

The consolidated SG&A expenses in 1Q2019 equaled to THB 334.07 million, decreased by THB 7.34 million or 2.15% down from 1Q2018. The Consolidated SG&A expenses decreased since lower loss of exchange rate comparing to 1Q2018. The consolidated SG&A expenses in 1Q2019 were 8.42% of revenue from sales, decreased from 9.15% in 1Q2018.

Share of Profit (Loss) from Associated Companies

The consolidated share of profit from associated companies based on the equity method in 1Q2019 was THB 21.74 million, increased by THB 56.48 million, or 162.57% up from 1Q2018 mainly from McKey's profit contribution was THB 50.24 million, increased by THB 38.43 million or 325.24% up comparing to 1Q2018 mainly from higher production capacity of cooked chicken products from new further processing factory. Besides, loss contributed from GFN was THB 28.50 million, decreased by THB 18.06 million or 38.78% down from 1Q2018 mainly from higher selling price of chicken parts for domestic market.

Financial Costs

Financial costs of the group include the interest paid to financial institutions and related persons. The Company's financial costs in 1Q2019 were THB 20.82 million, rose by THB 2.40 million or 13.00% up from 1Q2018 mainly from higher interest expense paid to related persons as the loan outstanding increased from 1Q2018. Costs of funds in 1Q2019 were 2.47%, slightly increased from 1Q2018 at 2.23%. The consolidated financial costs of the group in 1Q2019 were 0.53% of revenue from sales, slightly increased from 0.49% in 1Q2018.

Income Tax Expenses

The income tax expense of the Group in 1Q2019 was THB 38.10 million, decreased by THB 8.23 million or 17.75% down from 1Q2018 mainly from lower corporate income tax expenses of our subsidiaries comparing to 1Q2018.

Net Profit

The consolidated net profit in 1Q2019 was THB 227.86 million, increased in amount of THB 81.94 million or 56.16% up from THB 145.92 million in 1Q2018. The EPS of 1Q2019 was THB 0.18 per share. The increase in consolidated net profit was primarily driven from higher revenue from sales and higher share of profit from associated companies comparing to 1Q2018. The consolidated net profit margin in 1Q2019 was 5.74% of revenue from sales, improved from 3.91% in 1Q2018.

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

Unit: Million Baht

	1Q 2019	1Q 2018	Change	% Change
EBIT	288.19	213.40	74.79	35.05
Depreciation Expense	311.21	306.45	4.75	1.55
Amortization Expense	4.32	3.42	0.91	26.47
EBITDA	603.72	523.27	80.45	15.37
EBITDA Margin (%)	15.22	14.02		1.20

The consolidated EBITDA in 1Q2019 was THB 603.72 million, increased by THB 80.45 million or 15.37% up from 1Q2018.

The increasing in consolidated EBITDA resulted from higher revenue from sales mainly from increasing in chicken export volume.

The EBITDA margin in 1Q2019 was 15.22%, increased from 14.02% in 1Q2018.

Financial position
Assets

For the consolidated financial statements as of March 31, 2019, total assets of the GFPT Group equal to THB 18,462.36 million including THB 5,938.75 million (32.17% of total assets) in current assets, THB 8,589.45 million (46.52% of total assets) in property, plant and equipment (PP&E), THB 2,707.03 million (14.66% of total assets), in investments in associated companies, THB 530.81 million (2.88% of total assets) in grandparent chicken and parent chicken and THB 696.32 million (3.77% of total assets) in investment in property and other non-current assets.

Total assets as at March 31, 2019 increased in amount of THB 332.69 million or 1.84% up from December 31, 2018 from an increase in inventories of THB 381.12 million and an increase in PP&E of THB 142.30 million.

Liabilities

As at March 31, 2019, total liabilities of the Company and its subsidiaries was THB 5,506.92 million comprising of current liabilities of THB 2,883.74 million (52.37% of total liabilities), long-term loans of THB 1,960.00 million (35.59% of total liabilities), provision for employees benefit of THB 530.06 million (9.63% of total liabilities), deferred rental income of THB 113.64 million (2.06% of total liabilities), and other non-current liabilities of THB 19.47 million (0.35% of total liabilities).

The total liabilities as at March 31, 2019 increased by THB 103.45 million or 1.91% up from December 31, 2018 primarily from short-term loans from related persons increased in amount of THB 437.40 million, however, short-term loans from financial institutions decreased in amount of THB 425.00 million. All short-term and long-term loans of the Group are in THB currency only, thus; The Company has no exposure in foreign currency borrowings.

As at March 31, 2019, trade and other payables of the Company and its subsidiaries was THB 1,314.36 million, increased in amount of THB 170.95 million or 14.95% increased from December 31, 2018.

The consolidated interest-bearing liabilities as at March 31, 2019 were THB 3,368.40 million, decreased from December 31, 2018 in amount of THB 71.60 million mainly from lower short-term loans from financial institutions in amount of THB 425.00 million.

Shareholders' Equity

As at March 31, 2019, the consolidated shareholders' equity in amount of THB 12,955.44 million, an increase of THB 229.25 million or 1.80% up from December 31, 2018; primarily from the increase in retained earnings in amount of THB 227.86 million. The consolidated book value as at March 31, 2019 was THB 10.33 per share, slightly increased from THB 10.15 per share as at December 31, 2018.

Liquidity

Cash Flow Activities

For the three-month period ended March 31, 2019, the Company and its subsidiaries generated cash flows from operating activities of approximately THB 304.79 million, decreased by THB 274.49 million from the same period last year.

For the three-month period ended March 31, 2019, the Company and its subsidiaries used net cash in its investing activities in amount of THB 406.62 million, increased by THB 101.51 million from the same period last year.

For the three-month period ended March 31, 2019, the Company and its subsidiaries used net cash from its financing activities in an amount of THB 91.88 million, decreased by THB 199.96 million from the same period last year.

As at March 31, 2019, the Company and its subsidiaries' cash position in cash and cash equivalents was THB 1,046.38 million, increased by THB 327.80 million from the same period last year.

Liquidity ratios

As at March 31, 2019, the liquidity of the Company and its subsidiaries was considerably appropriate for its operations and had strong financial position. As at March 31, 2019, the consolidated current ratio was 2.06 times, slightly increased from 1.93 times as at December 31, 2018. The quick ratio was 0.68 time, slightly decreased from December 31, 2018 at 0.72 time.

Short-term Debt Maturity

As at March 31, 2019, the Company and its subsidiaries' current liabilities of THB 2,883.74 million comprise of short-term loans of THB 1,408.40 million, trade payables and other payables THB 1,314.36 million, and other current liabilities THB 160.98 million.

Due to its strong position in cash flow and liquidity, the Company and its subsidiaries can repay the debt obligations including trade payables and other payables, short term loans, the current portion of long-term loans from financial institutions, and interest expenses. The repayment can be made from cash flow from operation activities. As at March 31, 2019, the consolidated current ratio was 2.06 times, the net debt to equity ratio was low at 0.26 time.

The Company and its subsidiaries still had available credit line of the revolving short-term borrowings with financial institutions including bank overdraft in amount of THB 242.00 million and short-term loans, letters of credit, trust receipts, packing credit and forward foreign exchange contract in amount of THB 8,501.59 million.

Capital Structure

The Company and its subsidiaries had strong financial position. As at March 31, 2019, the consolidated debt to equity ratio was 0.43 time, slightly increased from 0.42 time as at December 31, 2018.

As at March 31, 2019, the consolidated interest-bearing liabilities were THB 3,368.40 million, decreased from THB 3,440.00 million as at December 31, 2018. The net debt to equity of the Group was considerably low at 0.26 time, slightly decreased from 0.27 time as at December 31, 2018. In summary, the Company had appropriate capital structure.

GFPT Group Expansion Plan

In the next 3-5 years, the Company has planned to grow organically by investing in greenfield projects. We focus on capacity expansion along the stream of our vertical integrated chicken production. Firstly, broiler farm operation will be expanded to reach capacity of 380,000 birds per day. Secondly, we are constructing the new chicken processing plant with a capacity of 150,000 birds per day as well as its supporting facilities such as water reservoir, water treatment, wastewater treatment, and

worker residences. Finally, the further processing plant will be in the next phase of construction to produce cooked product for export with capacity of 24,000 metric tons per year.

The investment budget for these projects is estimated to be around THB 1,200 - 1,500 million per year. However, this expansion plan can be adjusted depending on changes of future situation.

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

As at March 31, 2019 and December 31, 2018

	As at Mar 31, 2019		As at Dec 31, 2018		Change	
	MB	%	MB	%	MB	%
Cash and Cash Equivalent	1,046.38	5.67	1,240.09	6.84	(193.72)	(15.62)
Trade and Other Receivable	960.58	5.20	974.80	5.38	(14.23)	(1.46)
Inventories	3,909.09	21.17	3,527.98	19.46	381.12	10.80
Other Current Assets	22.71	0.12	27.15	0.15	(4.44)	(16.36)
Total Current Assets	5,938.75	32.17	5,770.02	31.83	168.73	2.92
Investment in Associated Companies	2,707.03	14.66	2,687.52	14.82	19.52	0.73
Grandparent Chickens	113.17	0.61	104.49	0.58	8.68	8.30
Parent Chickens	417.64	2.26	396.12	2.18	21.51	5.43
Investment Property	348.21	1.89	349.77	1.93	(1.57)	(0.45)
Property, Plant and Equipment	8,589.45	46.52	8,447.16	46.59	142.30	1.68
Deferred Tax Assets	258.67	1.40	275.85	1.52	(17.18)	(6.23)
Other Non-Current Assets	89.44	0.48	98.73	0.55	(9.29)	(9.41)
Total Non-Current Assets	12,523.60	67.83	12,359.64	68.17	163.96	1.33
Total Assets	18,462.36	100.00	18,129.66	100.00	332.69	1.84
Short-Term Loans from Financial Institutions	955.00	5.17	1,380.00	7.61	(425.00)	(30.80)
Short-Term Loans from Related Persons	453.40	2.46	16.00	0.09	437.40	2,733.75
Trade and Other Payable	1,314.36	7.12	1,143.42	6.31	170.95	14.95
Current Portion of Deferred Rental Income	9.17	0.05	9.17	0.05	-	-
Current Portion of Long-Term Loans	-	-	284.00	1.57	(284.00)	(100.00)
Other Current Liabilities	151.81	0.82	155.59	0.85	(3.78)	(2.43)
Total Current Liabilities	2,883.74	15.62	2,988.18	16.48	(104.44)	(3.50)
Long-Term Loans	1,960.00	10.62	1,760.00	9.71	200.00	11.36
Provision for Employee Benefit	530.06	2.87	520.12	2.87	9.94	1.91
Deferred Rental Income	113.64	0.62	115.93	0.64	(2.29)	(1.98)
Other Non-Current Liabilities	19.47	0.11	19.24	0.10	0.24	1.23

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	As at Mar 31, 2019		As at Dec 31, 2018		Change	
	MB	%	MB	%	MB	%
Total Non-Current Liabilities	2,623.17	14.21	2,415.29	13.32	207.89	8.61
Total Liabilities	5,506.92	29.83	5,403.47	29.80	103.45	1.91
Total Shareholders' Equity	12,955.44	70.17	12,726.19	70.20	229.25	1.80
Total Liabilities and Shareholders' Equity	18,462.36	100.00	18,129.66	100.00	332.69	1.84

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

For the three-month period ended March 31, 2019 and 2018

	1Q 2019		1Q 2018		Change	
	MB	%	MB	%	MB	%
Revenue from Sales	3,966.01	100.00	3,733.10	100.00	232.91	6.24
Cost of Sales	(3,432.23)	(86.54)	(3,223.69)	(86.35)	208.54	6.47
Gross Profit	533.79	13.46	509.41	13.65	24.38	4.79
Other Income	66.73	1.68	80.13	2.15	(13.41)	(16.73)
Selling Expenses	(138.47)	(3.49)	(125.72)	(3.37)	12.75	10.14
Administrative Expenses	(195.60)	(4.93)	(215.69)	(5.78)	(20.09)	(9.31)
Share of Profit (Loss) from Associates	21.74	0.55	(34.74)	(0.93)	56.48	162.57
Financial Costs	(20.82)	(0.53)	(18.43)	(0.49)	2.40	13.00
Profit before Income Taxes	267.37	6.74	194.97	5.23	72.40	37.13
Income Tax Expenses	(38.10)	(0.96)	(46.33)	(1.24)	(8.23)	(17.75)
Profit for The Period	229.26	5.78	148.64	3.99	80.62	54.24
Non-Controlling Interests	(1.40)	(0.04)	(2.72)	(0.08)	(1.32)	(48.51)
Net Profit	227.86	5.74	145.92	3.91	81.94	56.16

Consolidated Cash Flows Statement of GFPT Public Company Limited its subsidiary companies
For the three-month period ended March 31, 2019 and 2018

	Y 2019	Y 2018	Change
	MB	MB	MB
Net Cash Received from Operating Activities	304.79	579.28	(274.49)
Net Cash Used in Investing Activities	(406.62)	(305.11)	101.51
Net Cash Used in Financing Activities	(91.88)	(291.85)	(199.96)
Net Decrease in Cash and Cash Equivalents	(193.72)	(17.68)	176.04
Cash and Cash Equivalent at the Beginning of the Period	1,240.10	736.26	503.83
Cash and Cash Equivalent at the Ending of the Period	1,046.38	718.58	327.80

Financial Ratios of GFPT Public Company Limited and its subsidiaries

	Y 2019	Y 2018
Current Ratio ¹ (times)	2.06	1.93
Quick Ratio ² (times)	0.68	0.72
Gross Profit Margin ³ (%)	13.46	13.65
Operating Profit Margin ⁴ (%)	7.27	5.72
Net Profit Margin ⁵ (%)	5.65	3.83
Debt/Equity Ratio ⁶ (times)	0.43	0.42
Net Debt/Equity Ratio ⁷ (times)	0.26	0.27

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