

2Q19: Solid operation amid legal expenses Revenue

2Q19 sales declined by 4.6% YoY to THB 32,214mn. This was driven by Thai Baht appreciation against EUR and GBP (6-7% YoY) and by a keen focus on higher-margin businesses. Excluding the impact of foreign exchange, sales would still decline (-2.2%) along with volume sales decrease. 1H19 sales was down 2.4% YoY to THB61,583mn, driven partly by FX impact (-0.1% YoY excluding FX).

Gross profit

2Q19 Gross profit of THB 5,364mn, up 13.1% YoY. 2Q19 normalized gross margin was at **16.7%**, up 261 bps YoY and the highest quarterly level since 2015. 1H19 gross profit was THB 9,746mn, up 19.9% YoY.

Operating profit

With the gross profit improvement, 2Q19 Normalized operating profit was at THB 1,570mn, up 29.6% YoY, despite booking labor retirement benefits of THB 205mn. With labor benefits booked and declined revenue, 2Q19 SG&A to sales ratio was at 11.8%.

Net profit

With an improved operating profits and despite hindered by weaker non-operating items, namely higher tax expense and lower other income YoY, TU reported 2Q19 normalized net profit of THB 1,513mn, up 10.6% YoY. 1H19 Normalized net profit was at THB 2,787mn up 24.6% YoY.

Cash flow and ND/E

With efficient inventory management and recovering operations, 2Q19 free cash flow (FCF) was at THB 1,178mn. TU announced 1H19 dividend of THB 0.25/share. TU's end-2Q19 net debt-to-equity ratio was at 1.38x, still below the net D/E covenant of 2.0x.

One-time accruals and reported financial

During 2Q19, Thai Union's subsidiary, Chicken of the Sea, reached a settlement with majority of the plaintiffs in the ongoing antitrust litigation in the US. As a result, Chicken of the Sea recorded a USD 60mn one-time accruals to reflect additional risks. Net impact of this accrual was THB 1,402mn. Including the accruals and incurred tax impact, the company reported an operating loss of THB 288mn and net profit of THB 111mn.

Stock Information

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

Share price (05/08/2019)	THB 18.90
Historical price:	
52-week high	THB 17.70
52-week low	THB 17.10
No. of shares:	4,771.8m
Par value:	THB 0.25
Market Cap.	THB 90.2bn
Avg. value trade/day (YTD)	THB 273.3mn

Major shareholders

(28/06/2019)

Chansiri Family	19.50%
Thai NVDR Co., LTD.	11.20%
Mitsubishi Corporation	7.29%
Social Security Office	7.18%
Niruttinanon Family	6.85%

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	2Q19	2Q18	1Q19
Sales	32,214	33,775	29,369
Gross profit	5,364	4,741	4,382
EBITDA	3,271	2,833	2,818
Net profit	1,513	1,368	1,273
EPS (THB)	0.32	0.29	0.27
GPM (%)	16.7%	14.0%	14.9%
NPM (%)	4.7%	4.1%	4.3%
ND/E (x)	1.38	1.41	1.36
ROCE (%)	9.9%	8.0%	8.0%
ND/EBITDA (x)	4.85	5.73	5.63

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

*Remark: Normalized operation excludes one-time accruals for US legal settlement of THB 1,858mn and related tax credit of THB 456mn

Financial Statements Analysis:

Unit: THB mn	2Q19	2Q18	YoY	1Q19	QoQ
Sales	32,214	33,775	-4.6%	29,369	9.7%
COGS	(26,850)	(29,035)	-7.5%	(24,987)	7.5%
GP	5,364	4,741	13.1%	4,382	22.4%
SG&A	(3,794)	(3,529)	7.5%	(3,362)	12.8%
FX gain (loss)	164	222	-26.1%	80	104.4%
Other income	498	628	-20.7%	497	0.1%
Share of profits from investments in assoc. & JVs	110	44	150.4%	347	-68.3%
EBIT	2,342	2,105	11.2%	1,945	20.4%
Finance cost	(516)	(498)	3.6%	(528)	-2.3%
EBT	1,826	1,607	13.6%	1,417	28.9%
Tax	(196)	(90)	116.6%	(27)	623.8%
Net income	1,513	1,368	10.6%	1,273	18.8%
EPS	0.32	0.29	10.6%	0.27	18.8%
FX: USD/THB	31.59	31.92	-1.0%	31.61	-0.1%
GPM	16.7%	14.0%		14.9%	
%SG&A/Sales	11.8%	10.4%		11.4%	
NPM	4.7%	4.1%		4.3%	

In 2Q19, a keen focus on higher-profit business and a significant appreciation of THB against EUR and GBP by 6-7% from 2Q18 put pressure on reported sales figure when compared to the previous year. However, business profitability saw an improvement from 2Q19 as a result of a falling raw material price environment YoY and an emphasis on profitability. As a result, the company delivered normalized net profit of THB 1,513mn, up 10.6% YoY.

Sales

2Q19 sales declined by 4.6% YoY to THB 32,214mn. Weak sales growth is mainly attributable to a significant THB appreciation against key European currencies (6-7% YoY), falling raw material prices, and focus on higher-profit business. The company continued to reprice its ambient products to reflect the prevailing raw material price while managing to sell higher volumes of frozen and chilled seafood products. However, at constant exchange rates, 2Q19 sales would still reported a decline of 2.2% YoY.

1H19 sales was down 2.4% YoY to THB 61,583mn, driven partly by the THB appreciation against key European currencies and partly to falling raw material prices. Excluding the impact of currency, 1H19 sales would have been stable at a decline of 0.1% YoY.

Gross profit

The company reported 2Q19 gross profit of THB 5,364mn, up 13.1% YoY, mainly due to margin recovery in all three key product segments as a result of a declining raw material price environment. 2Q19 gross margin was 16.7%, up 261bps YoY and was the highest quarterly gross margin since 2015.

1H19 gross profit was at THB 9,746mn, up 19.9% YoY, resulted from key material price decline from the previous year during 1H18.

Selling and administrative expenses

2Q19 normalized SG&A expenses increased 7.5% YoY partly due to labor retirement benefits from the new labor law and an increased marketing spending as profitability improved. The normalized SG&A-to-sales ratio was at 11.8%, up from 10.4% during 2Q18. Despite such increased SG&A expenses, the normalized operating profit, including the provision for labor retirement benefits amount THB 205mn, still improved by 29.6% YoY to THB 1,570mn.

On the reported basis, the SG&A expenses was THB 5,652mn, including the one-time cost related to the US lawsuit settlement amounted THB 1,858mn. The company believes this accrual represented the total financial risk exposure of the company in regards to the US Antitrust lawsuit.

1H19 normalized SG&A to sales ratio was at 11.6%, up from 10.8%. The increase in ratio was partly attributable to a sales decline as a result of foreign exchange volatility.

FX Gain/Loss

During 2Q19, the company recorded FX gains of THB 164mn, compared with the gains of THB 222mn a year ago. Less FX gains recorded during 2Q19 was a result of hedged accounting practices adopted during early 2019 and less volatility of Thai baht in 2Q19.

Due to the hedge accounting policy, the company reduced the impact of volatile FX impact and reported 1H19 FX gains of THB 245mn, down from THB 802mn a year ago.

Share of income from investment in associates

2Q19 Share of income from investment in associates was at THB 110mn, up from THB 44mn recorded during 2Q18. The improvement was due to the operational recovery from key investments, namely Red Lobster restaurant chain in the US.

As a result from such improvement from affiliate companies, 1H19 share of income was at THB 457mn, up 32.5% YoY, from THB 345mn in 1H18.

*Remark: Normalized operation excludes one-time accruals for US legal settlement of THB 1,427mn and related tax credit of THB 68mn

Other incomes

2Q19 other incomes were at THB 498mn, down by 20.7% YoY mainly due to one-time insurance claims amounted THB 133mn recorded during 2Q18. Setting such insurance claim item aside, the other incomes are largely unchanged YoY.

1H19 other incomes was at THB 995mn, down from THB 1,170mn in 1H18, due largely to an absence of the insurance claim. Interest income received from the Red Lobster investment in convertible preferred units portion remained stable from the same period last year.

Finance cost

2Q19 finance cost slightly increased 3.6% YoY to THB 516mn (from THB 498mn during 2Q18). 2Q19 effective interest cost stood at 3.21%, up from 3.03% in 2Q18. 2Q19-end interest bearing debt decreased by 2.1% YoY (or THB 1,380mn) due to a continued debt repayment.

1H19 finance cost was at THB 1,044mn, up 4.3% YoY. The increase was mainly driven by an increase in effective interest rate to 3.20%, from 3.01% during 1H18.

Income tax expense

2Q19 normalized income tax expense was THB 196mn, from the tax expense of THB 90mn during 2Q18. Tax expenses increased in correspondent to improved profitability. 2Q19 effective tax rate was at 10.7%, versus 5.6% during 2Q18.

However, including the one-time tax credit related to the US lawsuit settlement, the company reported tax credit of THB 260mn during 2Q19 on a reported basis.

1H19 normalized income tax expense increased to THB 223mn (from THB 78mn accrued in 1H18). The increase was mainly contributable to a improved underlying operation during the period. 1H19 effective tax rate was 6.9%, versus 3.0% in 1H18.

Net profit

TU reported 2Q19 normalized net profit of THB 1,513mn, up 10.6% YoY and 18.8% QoQ. The improvement was driven by falling raw material prices and profitability improvement in all three key business segments. 2Q19 normalized net profit margin was 4.7%, up from 4.1% a year ago.

With an inclusion of the net impact of the accrual for US legal settlement of THB 1,402mn (settlement of THB 1,858mn and associated tax credit of THB 456mn), the 2Q19 reported net profit would be THB 111mn.

1H19 normalized net profit was at THB 2,787mn, up 24.6% YoY, mostly due to the profitability improvement from all three key businesses. 1H19 net profit margin was 4.5%, compared to 3.5% in 1H18.

Financial position analysis:

As of 30 June 2019, Thai Union's total assets were THB 140,116mn, down 1.7% from THB 142,474mn at the end of 2018, mainly due to improved net working capital, notably lower inventory and account receivables. Despite decreasing sales by 4.6% YoY, Thai Union's 2Q19 inventory days was at 124 days, which showed an improvement from 125 days at the same period of 2018.

Net inventories fell by 3.2% from 2018-end to THB 37,126mn, partly due to a decrease in raw material price and efficient working capital management.

Trade and other receivables were at THB 15,422mn, down from end-2018 level of THB 15,968mn, due to better collection efficiency and partly due to lower sales.

2Q19-end total non-current assets was at THB 83,464mn, remained stable from end-2018 at THB 83,463mn from normal capital expenditure activities.

Total current liabilities recorded an increase of 3.9% from end-2018 to THB 45,509mn as at end-2Q19. The main increase was due to the rising short-term debt and other current liabilities.

Total liabilities decreased by 2.3% (THB 2,199mn) to THB 94,103mn at end-2Q19, due to debt repayment from a strong free cash flow generated during this quarter as well as lower account payable from lower raw material price.

Total shareholders' equity excluding minorities decreased by 0.9% from end of 2018 to THB 42,511mn as the company recorded one-time accrual for US legal lawsuit and continued to pay dividend in April 2019.

Cash Flow analysis:

During 2Q19, net cash receipts from operating activities were THB 4,654mn. Positive cash flow was

Thai Union Group Public Company Limited

Management Discussion and Analysis for 2Q19 Results, ended 30 June, 2019

driven mostly by profitable operations (EBITDA: THB 3,271mn in 2Q19) from operation improvement. Moreover, efficient working capital management have also eased the pressure on working capital requirement from lower inventory. With decreasing sales (-4.6% YoY), 2Q19 inventory value also declined by 3.2% from 2018-end. 2Q19 net working capital days were at 107 days, down from 111 days during 2Q18.

Net cash payments for investing activities were THB 2,307mn, mainly from the regular capital expenditure during 2Q19.

Thai Union recorded net cash payment for financing activities of THB 3,004mn during 2Q19, largely from debt repayment during the period and dividend payment.

Net decrease in cash and cash equivalents, including exchange losses, was at THB 523mn resulting with the end-2Q19 cash and cash equivalents of THB 1,063mn (including the impact from the use of Bank Overdraft).

Financial ratio highlights:

	2Q19	2Q18	1Q19
A/R Days	34	33	40
Inventory Days	124	125	135
Current Ratio (x)	1.24	1.50	1.27
ROCE (%)	9.9%	8.0%	8.0%
ROE (%)	14.1%	12.5%	11.8%
ROA (%)	6.7%	5.9%	5.5%
ND/E (x)	1.38	1.41	1.36
ND/EBITDA (x)	4.85	5.73	5.63
Interest Coverage (x)	4.54	4.23	3.68
BV (Baht/share)	8.91	9.01	9.07

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 2Q19 slightly increased to 34 days, compared to 33 days at end-2Q18. As, the

company continue showing the consistency on its collection efficiency despite decreasing sales YoY.

Inventory days during 2Q19 declined to 124 days, compared to the previous year at 125 days, resulted from declined raw material prices and a more efficient inventory management, resulting in inventory value delined 6.5% when compared to end-2Q18.

The current ratio at end-2Q19 was at 1.24 times versus 1.50 times at 2Q18, mainly from falling inventory value as a result of falling raw material price.

2Q19 ROCE was at 9.9%, from 8.0% in 2Q18, attributable to a higher profitability. Also, average capital employed as of 2Q19 decreased by 10% from 2Q18 level to THB 94,900mn, due to long-term debt repayment.

Interest-bearing debt declined by THB 1,416mn from end-2018 (down 2.1%). As a result, the reported net debt-to-equity was at 1.38 times, down from the end-2018 level of 1.39x (1.35x prior to an adoption of TFRS 9&16).

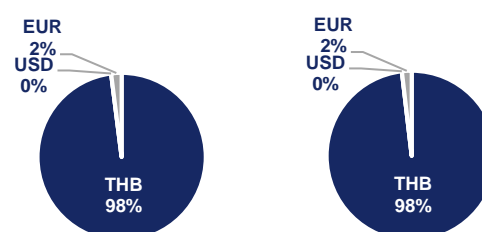
The ratio remained well below the debt covenant ratio of 2 times, thus post no near-term risk for our operations.

The company continues maintaining a strong cash flow generation ability, enabling it to repay some debt during the quarter.

2Q19 net debt to EBITDA ratio decreased to 4.85 times, from 5.73 times in 2Q18 caused by rising EBITDA of 15.4% despite net debt saw an increase of 2.3% YoY.

Interest coverage ratio during 2Q19 was at 4.54 times, up from 4.23 times in 2Q18, mostly due to higher normalized operating profit.

Interest-bearing debt profile by currency:



December 2018

June 2019

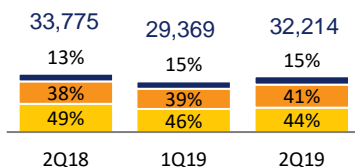
As of end-2Q19, interest-bearing debts were at THB 64,544mn, mainly denominated in the local currency.

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



-4.6% YoY, +9.7% QoQ

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

Ambient seafood¹:

Gross margin recovery despite weak sales

	2Q18	3Q18	4Q18	1Q19	2Q19
Value	16,363	16,806	14,994	13,456	14,031
Brand	55.8%	56.1%	50.4%	58.2%	59.3%
PL	44.2%	43.9%	49.6%	41.8%	40.7%
Volume	93,855	93,236	88,841	79,973	78,018

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

Remark: PL stands for Private Label business

2Q19 ambient sales declined 14.3% YoY, while gross profit improved 9.1% YoY.

Weak sales were partly attributed to the depreciating European currencies (EUR/THB -6.8% YoY and GBP/THB -6.5% YoY)

Gross profit margin was at 22.4%, up from 17.6% in 2Q18:

- A falling tuna price environment
- A focus on higher-value product sales
- Automation implementation enabled a more efficient work process.

Frozen, chilled seafood and related²:

Focus on value added and lobster business turnaround

	2Q18	3Q18	4Q18	1Q19	2Q19
Value	12,962	13,031	15,651	11,529	13,435
Brand	35.0%	36.1%	35.2%	34.7%	37.6%
PL	65.0%	63.9%	64.8%	65.3%	62.4%
Volume	62,253	63,443	67,552	61,862	68,504

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

2Q19 frozen and chilled seafood sales up 3.6% YoY, driven mainly by volume growth (10.0% YoY)

that outpaced raw material price decline (shrimp -1.2% YoY; salmon -5.4% YoY).

Gross profit margin was at 9.4%, up 70bps YoY, attributed to margin improvement in all shrimp, salmon and lobster business.

European salmon business margin recovered from closure of Scottish salmon business and price recovery to reflect prevailing salmon price.

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

	2Q18	3Q18	4Q18	1Q19	2Q19
Value	4,450	4,332	5,367	4,384	4,747
Brand	8.7%	9.4%	7.0%	12.2%	13.5%
PL	91.3%	90.6%	93.0%	87.8%	86.5%
Volume	63,759	67,126	73,769	67,838	67,508

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

PetCare and valued added sales increased 6.7% YoY, on the back of sales volume increase 5.9% over the same period.

Pet food business delivered a solid sales growth, driven mainly by sales volume.

Value-added products and others segment reported significant business growth in can manufacturing subsidiary.

Gross margin has improved due to strong sales growth and growing value-added product sales mix.

Remark:

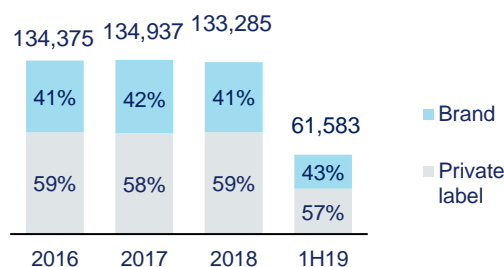
¹ Ambient seafood business includes entire tuna, entire sardine & mackerel and ambient & pouch salmon businesses

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



Thai Union Group Public Company Limited

Management Discussion and Analysis for 2Q19 Results, ended 30 June, 2019

1H19 branded sales mix at 43% (compared to 41% during 2018), private label sales contributing remaining 57% of 1H19 sales.

1H19 total branded sales increased 0.2% YoY, partly due to the increased in branded aqua feed sales.

1H19 private label sales was down 4.3% YoY due to both decrease in sales volume and the decline in tuna raw material price YoY.

Business overview by region:

THB Mn	2016	2017	2018	1H19
Total sales	134,375	134,937	133,285	61,583
USA	39.4%	38.8%	37.7%	39.3%
Europe	32.5%	30.8%	30.4%	29.1%
Japan	6.4%	6.3%	5.7%	4.9%
Domestic	8.3%	9.2%	10.5%	12.4%
Others	13.4%	14.9%	15.7%	14.3%

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

1H19 Sales contribution in key markets shifted in favor of domestic and US markets.

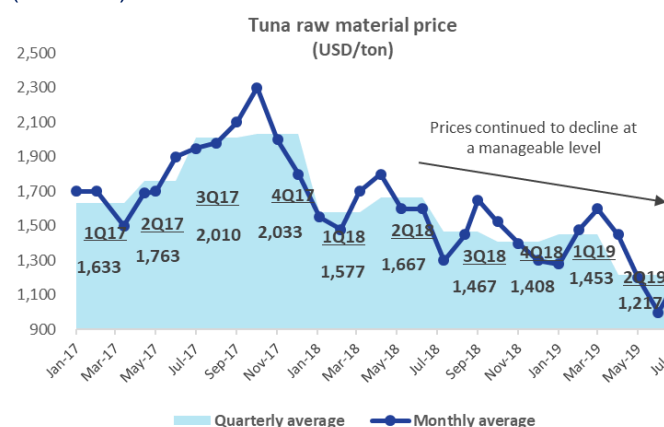
TU focused on domestic market, resulted in 19% sales growth YoY.

US sale was stable YoY, as Frozen Seafood sales growth offset by lower ambient seafood sales.

Europe sales contribution shrunk mainly due to EUR and GBP depreciating against THB in 1H19.

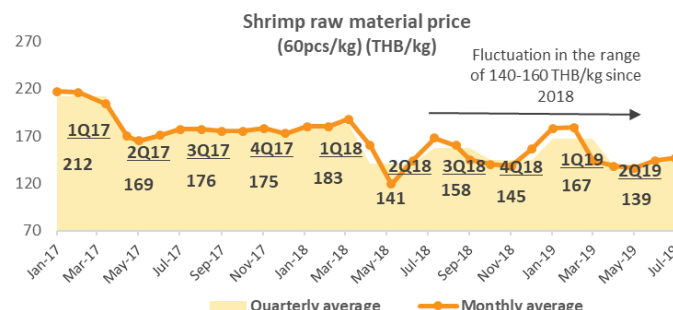
Key operating factors: Raw material prices

Skipjack tuna (USD/ton)



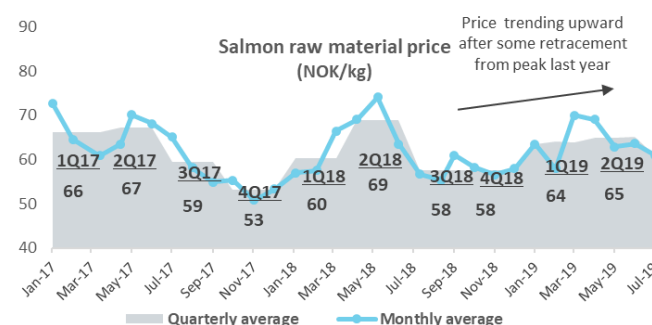
In July 2019, tuna price closed at USD 1,200/ton. In 2Q19 average price was at USD 1,217/ton (-27.0% YoY, -16.3% QoQ).

White shrimp (THB/kg. of 60 pieces/kg)



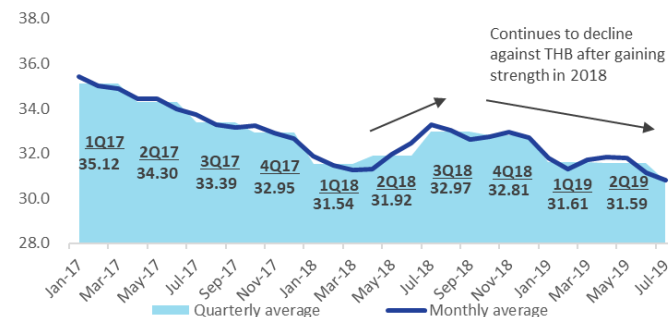
In July 2019, shrimp price closed at THB 147/kg. In 2Q19, average price was at THB 139/kg (-1.2% YoY, 16.6% QoQ).

Salmon (NOK/kg)



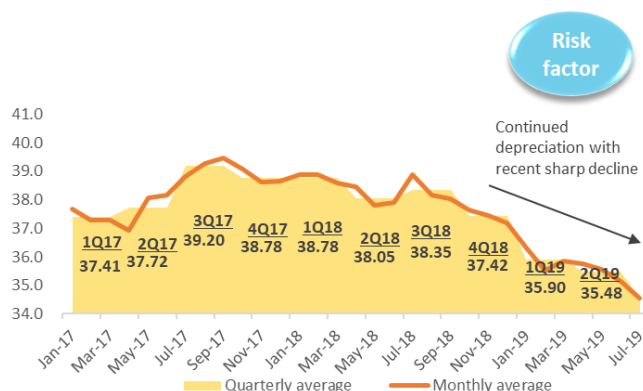
In July 2019, salmon price closed at NOK 61/kg. In 2Q19, average price was at NOK 65/kg (-5.4% YoY, +3.1% QoQ).

Exchange rates USD/THB



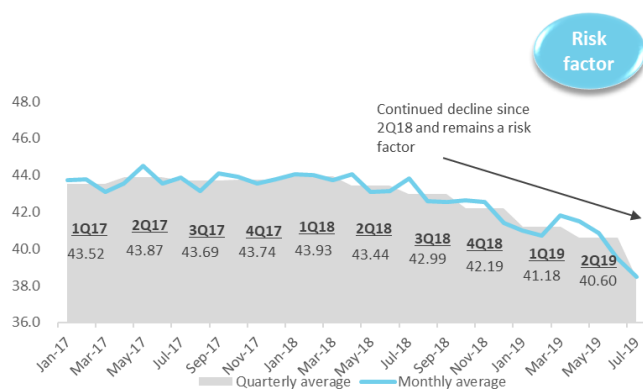
In July 2019, USD/THB closed at THB 30.79. In 2Q19, average USD/THB was at THB 31.59 (-1.0% YoY, -0.1% QoQ).

EUR/THB



In July 2019, EUR/THB closed at THB 34.56. In 2Q19, average EUR/THB was at 35.48 (-6.8% YoY, -1.2% QoQ).

GBP/THB



In July 2019, GBP/THB closed at THB 38.47. In 2Q19, average GBP/THB was at THB 40.60 (-6.5% YoY, -1.4% QoQ)

Key developments

Innovation

- 7 June, 2019** – Thai Union celebrated the official opening of its new Global Innovation Center (GIC). The company's top management joined other invited guests in welcoming Princess Maha Chakri Sirindhorn at SM Tower in Bangkok. Her Royal Highness presided over the opening ceremony, was introduced and presented an exhibition about the work of the GIC, visited the global food operation room of the GIC, observed the operations and advanced technology of the GIC, and even prepared HRH's own special recipe of Som Tam Tuna.
- 9 July, 2019** – Thai Union announced its partnership with National Innovation Agency

(NIA), Mahidol University's Science Faculty and WeWork Labs for SPACE-F program, the first global FoodTech startup incubator and accelerator in Thailand aimed to build a sustainable ecosystem to nurture FoodTech startups. SPACE-F will provide innovative services and support to empower the next generation of innovation in FoodTech.

- 18 July, 2019** – Thai Union showcased two of its innovative seafood products at Thailand Industry Expo 2019 - yellowfin tuna slices and tuna infusion.

Sustainability

- 8 May, 2019** – Thai Union and leading alternative protein producer, Calysta, joined forces to offer commercially farmed shrimp fed with protein produced from natural gas that can help the food industry provide greater traceability and integrity to its supply chain. The shrimp was offered for the first time at Seafood Expo Global in Brussels.
- 12 June, 2019** – Joerg Ayrlle, Thai Union's Group CFO, gave a closing speech at the SeaWeb Seafood Summit 2019 in Bangkok, on ethical return on investment.

Separately, he was also key speaker at the 5th CFO Innovation Forum in Bangkok on 4 July, 2019. He addressed the importance of integrating sustainability to business to unravel capital benefits and boost investor confidence.

- 17 June, 2019** – Thiraphong Chansiri, Thai Union's President and CEO, participated in a dive along with 40 other experienced divers to launch the #GhostGearReborn campaign on World Oceans Day. Thai Union also partnered with Royal Thai Navy and Pattaya City in a World Oceans Day beach cleanup at Tawaen Beach, and ghost gear diving activities off Koh Larn.
- 27 June, 2019** – Thai Union's Global Director of Corporate Affairs and Sustainability, Dr. Darian McBain, shared insights into how companies can tackle modern slavery risks in their supply chains at a conference hosted by the Australian government in Sydney. On a separate occasion on 10 July, 2019, Dr. Darian McBain also shared with international business leaders, governments and civil society Thai Union's journey towards delivering on ethical recruitment and positive outcomes for

migrant workers at the 3rd annual Global Forum for Responsible Recruitment in Bangkok.

- **5 July, 2019** – Thai Union officially opened its fourth preschool in Samut Sakhon to help the children of migrant workers to learn Thai language and culture before entering the formal Thai education system.

Corporate Action and Strategic Investments

- **14 May, 2019** – Thai Union China showcased its premium quality seafood under King Oscar China brand at SIAL, Asia's largest food innovation exhibition, hosted in Shanghai, China.
- **2 June, 2019** – A fire occurred at Thai Union Ingredients Tuna Oil Refinery Plant in Rostock, Germany on Saturday 1 June, 2019. The local fire brigade controlled situation and extinguished fire. The plant was not in operation at the time, and no staff were scheduled to be on site. There have been no reports of injuries. The cause of the fire is unknown at this stage. Thai Union will fully cooperate with any investigation undertaken by authorities. Further information will be provided when available.

Thai Union has started a project to rebuild the tuna oil refinery with minor improvements, with an aim to have the plant commissioned by July 2020.

The company has written off assets associated to the tuna oil refinery plant valued EUR 16mn during 2Q19. However, the impairment is expected to be fully met by the insurance claim.

- **July 2019** – Red Lobster, a strategic investment made in 2016, opened its 1st branch in Beijing, China, as part of the American casual dining chain's international expansion. The branch is located in Taikoo Li, comprised of mainly American expats and study-abroad Chinese consumers.

New Products

- **April 2019** – King Oscar (USA) launched a super premium, certified sustainable line of Brisling Sardines in a unique see-through packaging with easy-peel lid for bold product differentiation. It has been rolled out at selected retailers in USA.
- **May 2019** – Hawesta launched three varieties of Tuna Infusions, a ready-to-eat innovative

product in Germany. The brand also launched its fourth variety of Tuna Salads in March 2019, which has been very well established in the German market since 2017.

- **July 2019** – Chicken of the Sea Frozen Foods introduced Orion Cooked Lobster Meat Retail pack, a fully prepped, ready-to-eat cooked lobster meat retail pack from wild-caught lobster in an innovative vacuum-sealed, five-ounce packaging under Orion Seafood brand. It has been rolled out in national retailers and wholesale club chains in United States.
- **August 2019** – Thai Union is continuing expansion of its product portfolio with the national launch of "Wild Catch" product line under Chicken of the Sea brand in United States. Chicken of the Sea Wild Catch is a range of premium, responsibly wild-caught seafood, including Albacore, Ahi Yellowfin and Alaskan Salmon.

Awards and Recognitions

- **12 June, 2019** – Dr. Darian McBain, Thai Union Group Global Director of Corporate Affairs and Sustainability, received the Seafood Champion Award for Vision, recognized for her visionary approach to improving seafood sustainability and inspiring positive change across the industry, at the SeaWeb Seafood Summit.
- **28 June, 2019** – Thai Union was recognized by two major corporate governance awards in Asia. At the 9th Asian Excellence Award 2019, Thai Union won Asia's Best CEO and Best Investor Relations Company in Thailand, which was received by Joerg Ayrlle, Group CFO of Thai Union Group. Separately, Thai Union was recognized by Asiamoney in the Best Managed Companies Awards as one of the best companies in Thailand for the decade since 2010.
- **July 2019** – Thai Union received maximum score of 100 for the AGM Checklist 2019 by the Thai Investors Association, for third consecutive year.
- **July 2019** – Thai Union's John West brand was named winner of the Marine Stewardship Council's (MSC) 2019 UK Canned Brand of the Year Award for the third consecutive year.
- **July 2019** – Chicken of the Sea Infusions, winner of People Magazine's *PEOPLE Food Awards 2019: The Best Supermarket Products*

Thai Union Group Public Company Limited

Management Discussion and Analysis for 2Q19 Results, ended 30 June, 2019

of the Year (Basil flavour won best new product in Tuna category)

Dividend payment

- Interim dividend payment for the operating results during 1 January – 30 June, 2019 as per the resolution of the Board of Directors dated 6 August 2019 is 0.25 THB/share. Ex-dividend date is 20 August, 2019. Record date is on 21 August, 2019. Dividend will be paid on 3 September, 2019.

One-time accruals

- Chicken of the Sea has now settled with a large majority of plaintiffs. The financial exposure has been substantially higher than originally anticipated. As a result, Thai Union recorded an additional accrual of USD 60mn (THB 1,858mn) and related tax credit of THB 456mn. Net impact of this accrual was THB 1,402mn.

“We believe that the financial impact of this litigation is now fully provided for by Chicken of the Sea,” says Mr. Joerg Ayrlle, Group CFO of Thai Union Group.

Thai Union Group Public Company Limited

Management Discussion and Analysis for 2Q19 Results, ended 30 June, 2019

Statement of Income

(Unit: THB mn)	Consolidated							
	2Q19	% to sales	2Q18	% to sales	1Q19	% to sales	2Q19 2Q18	2Q19 1Q19
							Change	Change
Sales	32,214	100%	33,775	100%	29,369	100%	-4.6%	9.7%
Cost of sales	(26,850)	-83.3%	(29,035)	-86.0%	(24,987)	-85.1%	-7.5%	7.5%
Gross profit	5,364	16.7%	4,741	14.0%	4,382	14.9%	13.1%	22.4%
SG&A expenses	(3,794)	-11.8%	(3,529)	-10.4%	(3,362)	-11.4%	7.5%	12.8%
FX gain (loss)	164	0.5%	222	0.7%	80	0.3%	-26.1%	104.4%
Other income	498	1.5%	628	1.9%	497	1.7%	-20.7%	0.1%
Share of profits from investments in assoc. & Jvs	110	0.3%	44	0.1%	347	1.2%	150.4%	-68.3%
EBIT	2,342	7.3%	2,105	6.2%	1,945	6.6%	11.2%	20.4%
Finance cost	(516)	-1.6%	(498)	-1.5%	(528)	-1.8%	3.6%	-2.3%
EBT	1,826	5.7%	1,607	4.8%	1,417	4.8%	13.6%	28.9%
Tax	(196)	-0.6%	(90)	-0.3%	(27)	-0.1%	116.6%	623.8%
Profit (Loss) from discontinued operation	(29)	-0.1%	(38)	-0.1%	(43)	-0.1%	-23.7%	-32.6%
Net income	1,601	5.0%	1,479	4.4%	1,347	4.6%	8.3%	18.9%
Net income (loss) attributable to:								
Equity holders of the Company	1,513	4.7%	1,368	4.1%	1,273	4.3%	10.6%	18.8%
Non-controlling interests of the subs	87	0.3%	110	0.3%	73	0.2%	-20.9%	19.3%
Earnings per share								
Basic earnings per share	0.32		0.29		0.27		10.6%	18.8%
Exchange rate								
THB/USD	31.59		31.92		31.61		-1.0%	-0.1%

Statement of Financial Position

(Unit: THB mn)	2Q19	% to total assets	2018	% to total assets	Change
Cash and cash equivalents*	1,063	0.8%	972	0.7%	9.4%
Trade and other receivables - net	15,422	11.0%	15,637	10.9%	-1.4%
Inventories - net	37,126	26.5%	39,708	27.7%	-6.5%
Other current assets	3,041	2.2%	2,040	1.4%	49.1%
Total current assets	56,652	40.4%	58,357	40.7%	-2.9%
Fixed assets	27,542	19.7%	26,320	18.4%	4.6%
Investments	21,474	15.3%	23,475	16.4%	-8.5%
Goodwill and other intangible assets	28,398	20.3%	30,530	21.3%	-7.0%
Other non-current assets	6,050	4.3%	4,708	3.3%	28.5%
Total Assets	140,116	100%	143,390	100%	-2.3%
Bank overdrafts and short-term loans	15,688	11.2%	14,145	9.9%	10.9%
Trade and other payables	18,946	13.5%	18,843	13.1%	0.5%
Current portion of long-term loans	9,989	7.1%	3,916	2.7%	155.1%
Other current liabilities	887	0.6%	2,027	1.4%	-56.2%
Total current liabilities	45,509	32.5%	38,930	27.1%	16.9%
Long-term loans	38,867	27.7%	47,863	33.4%	-18.8%
Other non-current liabilities	9,727	6.9%	10,483	7.3%	-7.2%
Total Liabilities	94,103	67.2%	97,276	67.8%	-3.3%
Non-controlling interests of the subsidiaries	3,502	2.5%	3,140	2.2%	11.5%
Total Shareholders' Equity	42,511	30.3%	42,974	30.0%	-1.1%
Total liabilities and shareholders' equity	140,116	100%	143,390	100%	-2.3%

*Including short term investment

Thai Union Group Public Company Limited

Management Discussion and Analysis for 2Q19 Results, ended 30 June, 2019

Cash flow statement

(Unit: THB mn)	Consolidated		
	1H19	1H18	Change
Profit before income tax	1,349	1,069	279
Adjustments for depreciation & amortisation expenses	1,803	1,437	366
Other adjustments	970	1,658	(688)
Changes in operating assets and liabilities	484	3,551	(3,067)
Cash flows receipts from operating activities	4,606	7,716	(3,110)
Net cash receipts (payments) from operating activities	4,654	7,529	(2,875)
Net cash payments for investing activities	(2,307)	(2,124)	(184)
Net cash receipts (payments) for financing activities	(3,004)	(5,308)	2,304
Net increase (decrease) in cash and cash equivalent	(657)	97	(755)
Cash and cash equivalents - opening balance	1,311	573	738
Exchange gain (loss) on cash and cash equivalents	(59)	2	(61)
Cash and cash equivalents - closing balance	594	672	(78)
CAPEX	2,169	2,553	(384)
Management Est. Free Cash Flows*	2,437	5,163	(2,726)

*Figures as reported in August 2019