



## President Rice Products Public Company Limited

### Management Discussion and Analysis: MD&A

#### of the operating result of Quarter 2, 2017

ended June 30, 2017

#### Operating results

During Quarter 2, 2017, the Company's revenue from sales totaled 364 million Baht, increasing by 5.1% from the corresponding period of the previous year. Profit for the quarter rose by 1.8% to 146.8 million Baht.

Significant information is as follows:

Structure of sales revenue	Q2/ 2017		% of Change	
	Million Baht	%	Y-o-Y	Q-o-Q
Revenue from domestic sales	197.9	54.4	14.9	-2.3
Revenue from domestic sales for exports	16.5	4.5	74.8	82.6
Revenue from foreign sales.	149.6	41.1	-9.1	12.8
<b>total sales revenue</b>	<b>364.0</b>	<b>100.0</b>	<b>5.1</b>	<b>5.8</b>

Key factors contributing to the operation growth in Q2/2017 compared to the corresponding period of the previous year were as follows:

(1) Revenue from domestic sales mostly came from sales through Saha Pathanapibul Public Company Limited which is the sole domestic distributor of products under the MAMA brand. During Q2/2017, the Company's revenue from domestic sales increased by 14.9% from the corresponding period of the previous year, due to the positive trend of consumption of the Company's instant rice noodle products as well as the increases in sales of the four new products launched early this year; namely, 180 gram MAMA dried rice vermicelli, MAMA Cup Instant Rice Noodles Tom Yum Flavor, MAMA Cup Instant Rice Soup Minced Pork with Garlic and Pepper Flavor, and MAMA Jok Cup Instant Rice Porridge Shrimp Tom Yum Flavor, which were well received by consumers. The Company expects sales in Q3/2017 to continue to grow.

(2) Revenue from foreign sales in Q2/2017 decreased from the corresponding period of the previous year by 9.1%, although it grew by 12.8% from Q1 due to the continued positive change of existing products in AEC markets, Europe and Australia. There was also an increase in sales of a new product in Japan: economy-pack

coriander-flavored noodles sold in three-bag sets at a price lower than that of the bowl package launched last year. This new product was introduced at the Thai Festival in Tokyo's Yoyogi Park in mid-May 2017, where a variety of Thai foods were sold directly to consumers, and was well received by consumers. It is the Company's hope that its sales will lead to more purchases for trying and more frequent consumption. The overall export volume is expected to continue to grow. There are also abundant opportunities for the Company's products made from rice offered as Thai foods. Different strategies are required for different markets, however.

(3) Cost of goods sold totaled 287.8 million Baht, or 79% of the sales revenue, representing a decrease of the ratio of cost of goods sold to sales revenue by 1.4% from the corresponding period of the previous year. The major reasons were the drops of the costs of raw materials, flavors and packages as well as the increases of sales of items with higher unit prices, compared to the corresponding period of the previous year.

	% of cost of sales/sales revenue Q2 / 2017	% Change (Y-o-Y)	% Change (Q-o-Q)
<b>Total cost of sales</b>	<b>79.0%</b>	<b>-1.4%</b>	<b>0.6%</b>
● Domestic cost of sales	90.8%	-3.2%	1.9%
● Domestic cost of sales for exports	63.3%	-5.8%	-0.6%
● Cost of foreign sales	65.2%	-1.7%	1.9%

(4) Sales expenses totaled 7.8 million Baht, decreasing by 27% from the corresponding period of the previous year, as brokerage fees and sales promotion expenses, which went down along with export sales.

(5) Administrative expenses totaled 40.8 million Baht, increasing by 8.9% from the corresponding period of the previous year due to the increases in personnel expenses and expenses related to the amalgamation transactions, compared to the corresponding period of the previous year.

(6) Profit for the period totaled 146.8 million Baht (translated into 0.98 Baht EPS), increasing by 1.8% from the corresponding period of the previous year. This comprised profit of 28.7 million Baht from the Company's own operation, increasing from 20.4 million Baht by 40.6%, and the share of profits from investments in the two associated companies with a net total of 118.1 million Baht, decreasing by 4.6%, broken down into a share of profit from investment in the President Bakery Pcl. (PB) of 118.3 million Baht, and a share of loss from investment in the Thai Instant Products Co., Ltd. (TIP) of 0.2 million Baht.

Profit for the period	Q2 / 2017		% Change (Y-o-Y)	% Change (Q-o-Q)
	Million Baht	Percentage		
Profit from the Company's operation	28.7	19.5	40.6	17.4
Share of profit from investment in the associated company (PB)	118.3	80.6	-4.8	-1.0
Share of loss from investment in the associated company (TIP)	-0.2	-0.1	-62.0	-67.8
<b>Total</b>	<b>146.8</b>	<b>100.0</b>	<b>1.8</b>	<b>2.4</b>
<b>EBITDA</b>	<b>175.9</b>		<b>2.0</b>	<b>2.8</b>
Basic EPS	<b>0.98 Baht</b>			

Cumulative operating result for the first six months of 2017 (Jan-Jun 2017)

The Company's sales totaled 708.2 million baht, a increase of 9.5% from the corresponding period of the previous year. Profit for the period totaled 290.1 million Baht, increasing by 4.3% from the corresponding period of the previous year. Details are as follows:

- Revenue from domestic sales growth by 18.5% while revenue from domestic sales for exports drop by 19.7% and revenue from foreign sales decreased by 1.7%, from the corresponding period of the previous year.

Structure of sales revenue	January - June 2017		% Change (Y-o-Y)
	Million Baht	Percentage	
Domestic sales	400.6	56.6	18.5
Domestic sales for exports	25.5	3.6	19.7
Foreign sales	282.1	39.8	-1.7
<b>Total sales revenue</b>	<b>708.2</b>	<b>100.0</b>	<b>9.5</b>

- Cost of sales for the first six months of 2017 totaled 557.7 million Baht, or 78.7% of sales revenues, decreasing by 2.0% from the corresponding period of the previous year.

	% of cost of sales/sales revenue	% Change (Y-o-Y)
	January - June 2017	
Total cost of sales	<b>78.7 %</b>	<b>-2.0 %</b>
● Domestic cost of sales	89.9%	-3.6 %
● Domestic cost of sales for exports	63.5%	-10.6 %
● Cost of foreign sales	64.3%	-2.0 %

➤ Profits for the first six months of 2017 totaled 290.1 million Baht (translated in to 1.94 Baht EPS), increasing by 12.1 million Baht, or 4.3%, from the corresponding period of the previous year.

Profit for the period	January - June 2017		% Change (Y-o-Y)
	Million Baht	Percentage	
Profit from the Company's operation	53.1	18.3	64.4
Share of profit from investment in the associated company (PB)	237.8	82.0	-3.5
Share of loss from investment in the associated company (TIP)	-0.8	-0.3	-2.5
<b>Total</b>	<b>290.1</b>	<b>100.0</b>	<b>4.3</b>
<b>EBITDA</b>	<b>347.0</b>		<b>4.7</b>
Basic EPS	<b>1.94 Baht</b>		

## **Financial position**

### ● **Assets**

Total assets as at the end of the period ended June 30, 2017 stood at 4,344.7 million Baht, major items being fixed assets: 806.3 million Baht, investments in the two associated companies totaling 2,388.2 million Baht; namely, the President Bakery Pcl. (PB): 2,373.7 million Baht and the Thai Instant Products Co., Ltd. (TIP): 14.5 million Baht; and current assets: 1,016.5 million Baht. Compared with the end of 2016, total assets increased by 147.3 million Baht, or 3.5%. The major increasing items were investment in PB, an associated company, which increased by 83.8 million Baht due to recognition of an increasing profit; temporary investment (fixed deposits), which rose by 38.6 million Baht; inventory (rice, raw materials and finished products), which rose by 37.4 million Baht; and trade accounts receivable, which increased by 10.5 million Baht. Decreasing items were fixed assets (reduction from depreciation), which decreased by 23.6 million Baht and cash and cash equivalents (transfer to fixed deposits), which decreased by 6.8 million Baht.

### ● **Liabilities**

Total liabilities as at the end of the period ended June 30, 2017 amounted to 249.8 million Baht, comprising 170.6 million Baht of current liabilities, an increase of 34.1 million Baht, due to the increase of trade and other payables from the end of 2016. Long-term liabilities totaled 79.2 million Baht, increasing by 6 million Baht from the end of 2016, due to a provision for long-term employee benefits during the period.

### ● **Shareholder's equity**

Shareholder's equity as at June 30, 2017 amounted to 4,094.9 million Baht, rising by 107.8 million Baht, or 2.7% from the end of 2016. The increase was due to the increase of total profit during the period.

As of June 30, 2017, the Company's book value per share was 27.35 Baht, compared to the end of 2016, the book value per share was 26.63 Baht. The book value per share increased by 2.7%.

### **The Company's liquidity**

As of June 30, 2017, the Company had a balance of cash and cash equivalents amounting to 8.5 million Baht.

The cash flow increase/decrease from each category of activities in the cash flow statement is shown below:

<b><u>Cash flow from (used in)</u></b>	<b><u>Increase (decrease): million Baht</u></b>	<b><u>Key factor(s)</u></b>
Net cash from operating activities	81.3	Profit from operation
Net cash from investing activities	95.0	Dividend received from associated company.
Net cash used in financing activities	(183.2)	Dividend paid from profit in the second-half 2016.
Net cash and cash equivalents	(6.8)	An decrease in cash and cash equivalents from as of December 31, 2016.

The liquidity ratio as of June 30, 2017 was at 6 times, a slightly decrease from the end of 2016. The Company is confident that its management of working capital and liquidity is sound.

### **Key financial ratios based on Financial Statements in which the equity method is applied**

<b><u>Profitability Ratios</u></b>		<b><u>January –June</u></b>	
		<b><u>2017</u></b>	<b><u>2016</u></b>
Gross Profit Margin	%	21.3	19.2
Net Profit Margin	%	40.4	42.3
<b><u>Other major ratios</u></b>		<b><u>June 30, 2017</u></b>	<b><u>December 31,2016</u></b>
Liquidity ratio	Times	6.0	6.8
Quick ratio	Times	5.1	6.0
Debt to Equity ratio	Times	0.06	0.05
Return on average asset	%	15.2	15.9
<b><u>EBITDA information</u></b>		<b><u>2017</u></b>	<b><u>2016</u></b>
EBITDA (*Total 4 Quarters)	Million Baht	765.9 *	750.2
EV/EBITDA *	Times	12.0 *	11.6

Notes \* Q1-Q2/17 & Q3-Q4 /16.