



Management Discussion and Analysis For the year ended 31 December 2017

After the amalgamation on October 16, 2017, the Company (TFMAMA) still conducts the original business of TF and PB, and the Company has added the operating performance of PB to prepare the consolidated financial statement because the Company has held 46.90% of total shares and has been under single controlling power.

The Company has prepared the Pro forma Consolidated Financial Statement since the year ended on Dec 31, 2015 up to the date of amalgamation, as audited in compliance with ISAE 3420: Assurance Engagements to Report on the Compilation of pro Forma Information Included in a Prospectus was prepared from financial information of TF and PR to represent financial position as assumed to perform the amalgamation procedure between TF and PB since January 1, 2015

1. Operating Results

1.1 Sales Revenue

The Company recorded the total sales of Baht 21,630.95 million in 2017, increasing by Baht 487.27 million or by 2.30% from the same period last year. Total sales revenue consisted of the sales of Baht 12,758.90 million or 58.98% of total sales from TF, the sales of Baht 1,423.14 million or 6.58% of total sales from PR, and the sales of Baht 7,448.91 million or 34.44% of total sales from PB. The sales revenue of TF and PR grew by 4.07% and 8.22% from the previous year respectively due to continuous growth of foreign market and increasing new products, while the sales revenue of PB declined by 1.58% due to intensifying competitive environment, especially from the convenience store which had produced their own House Brand products and operated their own bakery business to compete in the market. However, the Company has conducted continuous product development, as well as penetrated into Fast food and Restaurant business which had performed solid growth

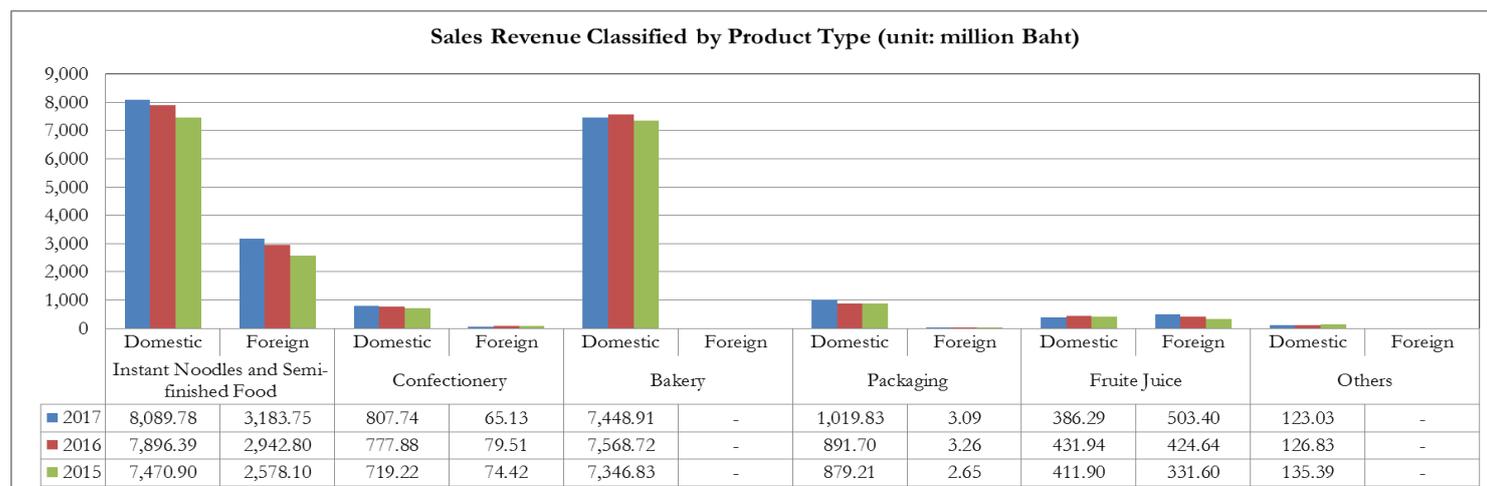


1.1.1 Sales Revenue Classified by Products

The revenue structure of the Company is summarized as following

Product Line	Business Group	Operated by	% Shareholding	Sales Revenue					
				Year ended on Dec 31, 2015		Year ended on Dec 31, 2016		Year ended on Dec 31, 2017	
				Million Baht	%	Million Baht	%	Million Baht	%
Instant Noodles and Semi-finished Food	Food	Thai President Foods Plc (TFMAMA)	-	10,049	50.37	10,839	51.26	11,273	52.11
		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	46.90	7,347	36.83	7,569	35.80	7,449	34.44
Biscuit	Food	Thai President Foods Plc (TFMAMA)	-	794	3.98	857	4.06	873	4.04
Fruit Juice	Food	Taisun Foods Co., Ltd.	52.08	743	3.72	857	4.05	890	4.11
Packaging	Packaging	Thai Anbao Paper Products Co., Ltd.	51.00	882	4.42	895	4.23	1,023	4.73
		Dai-Ichi Packaging Co.,Ltd.	50.10						
Other (Wheat Flour)	Raw material	President Flour Mill Co.,Ltd.	60.00	135	0.68	127	0.60	123	0.57
Total				19,950	100.00	21,144	100.00	21,631	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 sales revenue for the year ended on Dec 31, 2017 rose by 2.45% from the previous year, accounting for 1.0% growth of instant noodles products and 15.90% growth of semi-finished food products, including Instant Rice Vermicelli, Instant Rice Noodle, Instant Rice Porridge, Pre-cooked Rice. The increasing revenue resulted from continuous product development, effective marketing activities, and general market recovery. In a meantime the Company has introduced new products, which received satisfying response from the customers.



Foreign Market

The sales revenue for the year ended on Dec 31, 2017 rose by 8.19% from the previous year, accounting for 10.64% growth of instant noodles products and 2.48% decline of semi-finished food products, including Instant Rice Vermicelli, Instant Rice Noodle, Instant Rice Porridge, Pre-cooked Rice. Meanwhile, the sales volume to Asian market was accounted for the largest proportion of total foreign revenue and grew at highest pace, and the sales volume to Australian market was increasing at solid pace. The growth of foreign revenue resulted from continuous marketing activities and effective sales promotion activities with the local distributors to encourage our product to be better accepted in the global market.

▪ **Bakery**

The sales revenue of bakery products for the year ended on Dec 31, 2017 decreased by 1.58% from the previous year, resulting from intensifying competitive environment and new competitors in the market. However the Company 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.

▪ **Other Products**

The sales revenue of other products, such as biscuit, fruit juice, packaging, and so on, for the year ended on Dec 31, 2017 increased by 6.31% from the previous year, resulting from solid growth of packaging products and continuous growth of fruit juice in the foreign market.

1.2 Cost of Sales

The cost of sales of the Company stood at Baht 14,354.55 million in 2017, increasing by Baht 385.73 million or by 2.76% from the previous year due to higher use of raw material and packaging in line with higher sales volume. Meanwhile, the depreciation of bakery factory in 2017 was higher after BangChan Factory² had started its operation. As a result, the cost of sales to total sales revenue ratio was at 66.36%, increasing by 0.29% from the ratio in the previous year.

1.3 Selling and Administrative Expenses

The selling and administrative expenses totaled to Baht 3,611.50 million, increasing by Baht 178.15 million or by 5.19% from the previous year. The higher expense included the expense of amalgamation and was attributed to higher remuneration of the employees, such as salary, overtime, allowance according to increasing number of employee and salary base. However, the ratio of selling and administrative expenses to total sales revenue ratio was at 16.70%, slightly increasing 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 2,853.49 million, decreasing by Baht 17.69 million or by 0.62% from the previous year, mainly due to lower profit of President Bakery PLC and President Flour Mill Co., Ltd. and decreasing profit proportion of BOI-promoted business. In a meantime, the Company maintained the profit margin at 13.19% of total income.

2. Financial Position

2.1 Assets

Total assets of the Company as of Dec 31, 2017 amounted to Baht 29,423.17 million, increasing by Baht 2,136.88 million or by 7.83% from the previous year. The main assets of the Company consisted of the fixed assets of Baht 8,790.56 million, accounting for 29.88% of total assets, and the current assets of Baht 13,333.57 million, accounting for 45.32% 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.

The trade account receivable of the Company in 2017 stood at Baht 3,625.82 million, accounting for 12.32% of total assets and increasing by 11.57% 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 61 days, or increasing by 5 days from the previous year. In addition, the Company had set aside the allowance for doubtful accounts by Baht 16.38 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 2017 amounted to Baht 1,352.54 million, accounting for 4.60% of total assets and increasing by 10.61% 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, 2017 amounted to Baht 3,705.96 million, decreasing by Baht 269.16 million or by 6.77% from the end of 2016 as a result of decreasing amount of outstanding liability and accrued expenses because the Company had repaid liability obligation on schedule. However, most liability of the Company was current liability, whereas the long-term liability was accounted for 29.10% of total liabilities. Meanwhile the debt to equity ratio of the Company was at 0.14 time.



2.3 Shareholders' Equity

The shareholders' equity of the Company as of Dec 31, 2017 amounted to Baht 25,717.21 million, increasing by Baht 2,406.04 million or by 10.32% from the end of 2016 because of net profit in the period. In 2017, the Company recorded the dividend payment for the second half-year of 2016 at Baht 396.00 million, and the interim dividend payment for the period ended on June 30, 2016 at Baht 507.60 million. In addition, the book value of the Company increased by 7.30 Baht per share from 70.70 Baht per share to 78 Baht per share, or rising by 10.33% 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 2017 amounted to Baht 3,693.09 million, whereas the net cash used for investing and financing activities amounted to Baht 2,040.98 million and Baht 1,324.37 million respectively. The Company, as of Dec 31, 2017, recorded net cash and cash equivalent of Baht 2,777.38 million, increasing by Baht 332.42 million from 2016. The important details were summarized as follows,

The cash inflow from operating activities totaled to Baht 3,693.09 million, mainly due to the operating profit before tax of Baht 4,235.11 million which decreased by 1.52% from the year 2016. The Company used Baht 2,040.98 million for investing activities, mostly in short-term and long-term investment by placing excessive cash into deposit in the financial institutions. The Company also purchased additional machinery and equipment. In addition, the cash paid for financing activities was at Baht 1,324.37 million, mainly due to the dividend payment of Baht 1,228.07 million. However, the Company was able to maintain strong liquidity ratio. The current ratio and the quick ratio of the Company in 2017 stood at 5.07 and 4.54 times respectively, increasing from the ratio in the previous year. Meanwhile, the cash cycle of the Company was at 50 days.

3.2 Suitability of Capital Structure

The liability to shareholders' equity ratio of the Company as of Dec 31, 2017 was low at 0.01 time, while the interest coverage ratio was high at 250.12 times, thus reflecting the stability of capital structure and strong capability of debt service of the Company.



4. Remuneration to the Auditor

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

- 4.1 The Auditing Fee amounted to 1,000,000 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 600,000 Baht
 - 4.2.2 The auditing fee to transfer account posting from the original system to new system amounted to 200,000 Baht
 - 4.2.3 The fee to prepare the Pro forma Consolidated Financial Statement for the year ended on Dec 31, 2017 amounted to 200,000 Baht
 - 4.2.4 The other fee of 9,200 Baht