

Tipco 013/2018

**Management Discussion and Analysis Tipco Foods Public Company Limited**
**For the Three-month and Nine-month Period ended September 30, 2018**
**1. Consolidated statement of comprehensive income ended September 30, 2018**

Unit : Thousand Baht

Statement of comprehensive income	For the three-month period		Changes		For the nine-month period		Changes	
	Q3 2018	Q3 2017	Increase (Decrease)	%	2018	2017	Increase (Decrease)	%
Sales and service income	1,087,627	1,230,571	(142,944)	-12%	3,124,915	3,782,586	(657,671)	-17%
Other income	38,599	26,968	11,631	43%	94,666	71,780	22,886	32%
<b>Total revenues</b>	<b>1,126,226</b>	<b>1,257,539</b>	<b>(131,313)</b>	<b>-10%</b>	<b>3,219,581</b>	<b>3,854,366</b>	<b>(634,785)</b>	<b>-16%</b>
Total expenses	1,077,168	1,226,863	(149,695)	-12%	3,231,357	3,565,394	(334,037)	-9%
<b>Profit (loss) before share of profit from investment in associate, finance cost and income tax</b>	<b>49,058</b>	<b>30,676</b>	<b>18,382</b>	<b>60%</b>	<b>(11,776)</b>	<b>288,972</b>	<b>(300,748)</b>	<b>-104%</b>
Share of profit from investment in associate	1,165	93,548	(92,383)	-99%	101,684	469,884	(368,200)	-78%
<b>Profit (loss) before finance cost and income tax</b>	<b>50,223</b>	<b>124,224</b>	<b>(74,001)</b>	<b>-60%</b>	<b>89,908</b>	<b>758,856</b>	<b>(668,948)</b>	<b>-88%</b>
Finance cost	(16,294)	(12,707)	3,587	28%	(40,573)	(39,127)	1,446	4%
<b>Profit (loss) before income tax</b>	<b>33,929</b>	<b>111,517</b>	<b>(77,588)</b>	<b>-70%</b>	<b>49,335</b>	<b>719,729</b>	<b>(670,394)</b>	<b>-93%</b>
Income tax	(4,069)	(6,191)	(2,122)	-34%	(39,716)	(45,436)	(5,720)	-13%
<b>Profit (loss) for the period</b>	<b>29,860</b>	<b>105,326</b>	<b>(75,466)</b>	<b>-72%</b>	<b>9,619</b>	<b>674,293</b>	<b>(664,674)</b>	<b>-99%</b>
<b>Profit (loss) for the period Equity holders of the Company</b>	<b>29,860</b>	<b>105,326</b>	<b>(75,466)</b>	<b>-72%</b>	<b>9,619</b>	<b>674,293</b>	<b>(664,674)</b>	<b>-99%</b>

In the 3<sup>rd</sup> quarter of 2018, the Company and its subsidiaries reported total revenue of Baht 1,126 million, a decrease of 10% compared to the same period of last year. For the first 9-month period, the Company and its subsidiaries reported a total revenue of Baht 3,220 million, a decreased of 16% compare to the same of period of last year, the details can be explained as the following:

**1.1 Sales and service income**

Unit : million Baht

For the three-month period	Product of vegetable and fruit		Changes		Beverage		Changes		Other		Changes		Consolidated financial		Changes	
	Q3 2018	Q3 2017	Increase (Decrease)	%	Q3 2018	Q3 2017	Increase (Decrease)	%	Q3 2018	Q3 2017	Increase (Decrease)	%	Q3 2018	Q3 2017	Increase (Decrease)	%
Sales and service income	457	578	(121)	-21%	600	640	(40)	-6%	31	13	18	138%	1,088	1,231	(143)	-12%

In the 3<sup>rd</sup> quarter of 2018, the Company and its subsidiaries reported Sale and service income of Baht 1,088 million, decreased 12% compare the same period of last year mainly decrease in revenues approximately 21% of products related to vegetable and fruit business which impacted by decreased in selling price and domestic consumption.

Unit : million Baht

For the nine-month period	Product of vegetable and fruit		Changes		Beverage		Changes		Other		Changes		Consolidated financial		Changes	
	2018	2017	Increase (Decrease)	%	2018	2017	Increase (Decrease)	%	2018	2017	Increase (Decrease)	%	2018	2017	Increase (Decrease)	%
	Sales and service income	1,270	1,733	(463)	-27%	1,760	1,973	(213)	-11%	95	77	18	23%	3,125	3,783	(658)

For the first 9-month of this year, the Company and its subsidiaries reported Sales and services income of Baht 3,125 million, decreased by 17% compare to the same period of last year mainly decrease in revenue of Product of vegetable and fruit business as well as a decrease in revenue of Beverage business in the same way as the 3<sup>rd</sup> quarter.

## 1.2 Operating Expense

Unit : Thousand Baht

Expenses	For the three-month period		Change		For the nine-month period		Change	
	Q3 2018	Q3 2017	Increase (Decrease)	%	2018	2017	Increase (Decrease)	%
Cost of sales and services	821,077	892,621	(71,544)	-8%	2,458,740	2,656,276	(197,536)	-7%
Selling expenses	148,606	210,051	(61,445)	-29%	465,822	561,326	(95,504)	-17%
Administrative expenses	107,485	124,191	(16,706)	-13%	333,996	347,792	(13,796)	-4%
Other expenses	-	-	-	-	(27,201)	-	(27,201)	-
<b>Total expenses</b>	<b>1,077,168</b>	<b>1,226,863</b>	<b>(149,695)</b>	<b>-12%</b>	<b>3,231,357</b>	<b>3,565,394</b>	<b>(334,037)</b>	<b>-9%</b>

In the 3<sup>rd</sup> quarter of 2018, the Company and its subsidiaries reported total Operating Expense of Baht 1,077 million decreased by 12% compare to the same period of last year, which can be as of explained the following reasons

- A decrease in Cost of sale and service by 8% according to decrease in Sale and Service Income despite some raw material price have increase from the previous year.
- A decrease in Selling Expenses by 29% mainly related to slowdown in total sales.
- A decrease in Administrative Expenses by 13% mainly related to slowdown in total sales.

For the first 9-month of this year, the Company and its subsidiaries reported total Operating Expense of Baht 3,231 million decreased by 9% compared to the same period of last year, which can be explained as the following

- A decrease in Cost of sales and services by 7% according to a decrease in Sales and Services Income as the 3<sup>rd</sup> quarter.
- A decrease in Selling Expenses by 17% in the relationship of the shortfall in Total Sales.
- Better control in spending on G&A which reduced by 4%.
- Other expenses were Reversal of allowance for impairment of machinery amount Baht 29 million in the 1<sup>st</sup> quarter.

### 1.3 Share of profit from investment in associate

In the 3<sup>rd</sup> quarter of 2018, the Company reported Share of profit from investment in associate of Baht 1 million decreased by 99% compared to the same period last year. For the first 9-month of this year, the Company reported Share of profit from investment in associate of Baht 102 million decreased by 78% compare to the same period of last year.

### 1.4 Finance cost

In the 3<sup>rd</sup> quarter of 2018, the Company and its subsidiaries reported Finance cost of Baht 16 million which increased from the previous year by 28%. For the first 9-month of this year, the Company and its subsidiaries reported Finance cost of Baht 41 million which increased from the previous year by 4% mainly due to an increase in long-term loan for investment of property, plant and equipment.

## 2. Consolidated statement of financial position as at 30 September 2018

Unit : Thousand Baht

Statement of financial position	Consolidated financial statements		Changes	
	30-Sep-18	31-Dec-17	Increase (Decrease)	%
<b>Assets</b>				
Current assets	1,724,883	1,781,227	(56,344)	-3%
Non-current assets	5,212,109	5,157,202	54,907	1%
<b>Total assets</b>	<b>6,936,992</b>	<b>6,938,429</b>	<b>(1,437)</b>	<b>0%</b>
<b>Liabilities and shareholders' equity</b>				
<b>Liabilities</b>				
Current liabilities	1,916,411	1,771,259	145,152	8%
Non-current liabilities	943,099	796,554	146,545	18%
<b>Total liabilities</b>	<b>2,859,510</b>	<b>2,567,813</b>	<b>291,697</b>	<b>11%</b>
<b>Shareholders' equity</b>				
<b>Total shareholders' equity</b>	<b>4,077,482</b>	<b>4,370,616</b>	<b>(293,134)</b>	<b>-7%</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,936,992</b>	<b>6,938,429</b>	<b>(1,437)</b>	<b>0%</b>

### 2.1 Asset

As of September 30, 2018, Total Assets of the Company and its subsidiaries was Baht 6,937 million which the same level of the end of 2017. However, there was further investment which lead to reduce in cash and increase in Fixed Assets approximately Baht 55 million.

### 2.2 Liabilities

As of September 30, 2018, Total Liabilities of the Company and its subsidiaries was Baht 2,860 million increased by 11% from the end of 2017. Key change was an incremental of Short-Term Loan approximately Baht 145 million or 8%. Also, there was an incremental in non-current liabilities by Baht 147 million or 18% related to investment of property, plant and equipment.

### 2.3 Shareholders' equity

As of September 30, 2018, Total Shareholders' Equity of the Company and its subsidiaries was Baht 4,077 million decreased by 7% from the end of 2017, mainly related to dividend paid in the first half of this year.

### 3. Consolidated cash flow statement for the first 9-month period ended September 30, 2018

Unit : Thousand Baht

Cash flow statement	For the nine-month 30-Sep-18
<b>Cash flows from operating activities</b>	
Net cash flows from (used in) operating activities	(108,767)
<b>Cash flows from investing activities</b>	
Net cash flows (used in) investing activities	(161,866)
<b>Cash flows from financing activities</b>	
Net cash flows from (used in) financing activities	169,949
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(100,684)</b>
Cash and cash equivalents at beginning of period	199,464
<b>Cash and cash equivalents at end of period</b>	<b>98,780</b>

As of September 30, 2018, total Cash and Cash Equivalent of the Company and its subsidiaries were a decrease Baht 101 million, mainly related to operation and continued invest. The Company and its subsidiaries reported net cash outflows from operating activities of Baht 109 million, net cash outflows from investing activities of Baht 162 million which mainly for cash paid for acquisition of land, machinery and equipment and net cash inflows from financial activities of Baht 170 million which mainly from long-term loan.

### 4. Financial Ratio from consolidated financial statement for the first 9-month period ended September 30, 2018

Profitability ratios	For the nine-month period		Changes
	2018	2017	
Gross Profit Margin	21%	30%	-8%
EBITDA Margin	9%	25%	-15%
Net Profit Margin	0%	17%	-17%
<b>The Capacity to pay and liquidity ratios</b>	<b>30-Sep-18</b>	<b>31-Dec-17</b>	<b>Changes</b>
Debt to equity ratio (Times)	0.70	0.59	11%
Liquidity ratio (Times)	0.90	1.01	-11%