

## 3Q16: A billion-dollar quarter

### Revenue

TU reported record quarterly sales during 3Q16 of THB 35,128mn, an increase of 7.7% YoY (up 3.3% YoY in dollar term to USD 1,009mn), thanks to THB depreciation, higher shrimp and salmon raw material prices (prices up 12% and 46% YoY respectively in 3Q16) and the acquisitions of Rugen Fisch and Chez Nous.

### Gross profit

3Q16 gross profit was THB 4,937mn, down 12.4% YoY, driven mostly by raw material prices volatility. Gross margin was at 14.1%, down 322bps YoY from 17.3% in 3Q15 as higher and more volatile seafood raw material prices affected both ambient and chilled and frozen seafood businesses.

### Operating profit

3Q16 operating profit was THB 1,872mn, down 12.3% YoY, caused mainly by a decline in gross margin. However, the operating margin was down only by 189bps YoY thanks to tightened cost control as 3Q16 SG&A to sales ratio fell to 8.7% from 10.1% during 3Q15.

### Net profit

3Q16 net profit was at THB 1,594mn, down 1.9% YoY. Despite the tough operating environment, TU managed to reported stable net profit supported by productive cost control efforts and the benefits of the buyout of the minority stake in Tri-Union Frozen Products, Inc. dba Chicken of the Sea Frozen Foods.

*With accounting restatement of non-operational items on 3Q15 financial statement, the 3Q15 net profit was restated to THB 1,814mn.*

### ND/E

Due to higher work capital requirements (higher raw material prices) and a number of investments made during 3Q16, ND/E position rose to 0.92x, but still below the company's target of 1.0x.

### Stock Information

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

<b>Share price (04/11/2016)</b>	THB 22.00
Historical price:	
52-week high	THB 23.00
52-week low	THB 15.80
No. of shares:	4,771.8m
Par value:	THB 0.25
Market Cap.	THB 105.0bn
Avg. daily turnover (6 months)	THB 242.4mn

### Major shareholders

(30/09/2016)

Chansiri Family	20.09%
Thai NVDR Co., LTD.	13.68%
Mitsubishi Foods Corp.	7.29%
Niruttinanon Family	6.86%
Social Security Office	4.56%

### 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	3Q16	3Q15*	2Q16
Sales	35,128	32,602	34,441
Gross profit	4,937	5,634	5,428
EBITDA*	2,917	3,297	3,181
Net profit*	1,594	1,626	1,527
EPS (THB)*	0.33	0.34	0.32
GPM (%)	14.06	17.28	15.76
NPM (%)	4.54	4.99	4.43
ND/E (x)	0.92	0.64	0.74
ROCE (%)	10.75	14.70	12.96
IBD/EBITDA (x)	3.80	2.63	3.02

Remark: \*Due to reclassification of certain foreign exchange hedging contract, following financial items were restated for comparison purpose as follow: 3Q15 EBITDA of THB 3,482mn and 3Q15 Net profit of THB 1,814mn

### 3Q16 Financial Statements Analysis:

Unit: THB mn	3Q16	3Q15**	YoY	2Q16	QoQ
<b>Sales</b>	<b>35,128</b>	<b>32,602</b>	<b>7.7%</b>	<b>34,441</b>	<b>2.0%</b>
COGS	(30,190)	(26,968)	11.9%	(29,012)	4.1%
<b>GP</b>	<b>4,937</b>	<b>5,634</b>	<b>-12.4%</b>	<b>5,428</b>	<b>-9.0%</b>
SG&A	(3,066)	(3,282)	-6.6%	(3,366)	-8.9%
FX gain (loss)**	(30)	(55)	-45.1%	32	-194.7%
Other income**	290	317	-8.5%	368	-21.2%
<b>EBIT</b>	<b>2,131</b>	<b>2,613</b>	<b>-18.5%</b>	<b>2,462</b>	<b>-13.4%</b>
Finance cost	(361)	(373)	-3.3%	(263)	37.3%
<b>EBT</b>	<b>1,770</b>	<b>2,240</b>	<b>-21.0%</b>	<b>2,199</b>	<b>-19.5%</b>
Tax**	(17)	(455)	-96.2%	(494)	-96.5%
<b>Net income</b>	<b>1,594</b>	<b>1,626</b>	<b>-1.9%</b>	<b>1,527</b>	<b>4.4%</b>
<b>EPS**</b>	<b>0.33</b>	<b>0.34</b>	<b>-2.9%</b>	<b>0.32</b>	<b>3.1%</b>
FX: USD/THB	34.83	33.45	4.1%	35.29	-1.3%
GPM	14.1%	17.3%		15.8%	
%SG&A/Sales	8.7%	10.1%		9.8%	
NPM	4.5%	5.0%		4.4%	

\*Other income incl. share of profit from investment in associates

\*\*Due to reclassification of certain foreign exchange hedging contract, following financial items were restated for comparison purpose as follow: 3Q15 EBIT of THB 2,798mn; 3Q15 EBT of THB 2,425mn and 3Q15 Net profit of THB 1,814mn

In 3Q16, the company has booked another successive record quarterly sales, mainly thanks to consolidation of recent acquisitions of Rugen Fisch and Chez Nous, organic growth of existing businesses, price adjustment of chilled and frozen products to reflect increases in raw material costs. Appreciating USD and EUR also helped support the growth in THB term. However, the margins were challenged by high raw material prices especially salmon and tuna prices.

#### Sales

3Q16 sales set another new record since last quarter. Sales in THB term were at THB 35,128mn (+7.7% YoY) equivalent to USD 1,009mn (+3.3% YoY, +0.1% QoQ), mainly boosted by consolidation of the recent acquisitions of Rugen Fisch and Chez Nous, price adjustment of frozen and chilled products to reflect higher raw material prices. In addition, THB depreciation also helped support sales in THB term. On QoQ basis, despite the typically high season in the third quarter, sales growth was stable at +2.0%.

9M16 sales were at THB 100,825mn (+9.8% YoY) or equivalent to USD 2,855mn (+2.5% YoY). Growth in THB sales were primary attributed to consolidation of acquisitions of Rugen Fisch and Chez Nous, higher raw material prices of salmon and shrimp as well as THB depreciation against USD and EUR.

#### Gross profit

3Q16 gross profit was recorded at THB 4,937mn (-12.4% YoY, -9.0% QoQ). 3Q16 GPM dropped to 14.1%, versus 17.3% in 3Q15. Profitability was under pressure, mainly caused by continued an unexpected high tuna price (9M16 tuna price up 15.4%) posted a challenge to our Thailand-based tuna export business as well as our branded ambient seafood business in Europe. Also, high salmon prices continued to hurt TU's salmon business from 1Q16.

Nonetheless, declining profitability was partly offset by improving margins at our US ambient business unit given its profitability-focused market strategy since the beginning of the year as well as the strong business performance of PetCare and value-added products.

On QoQ basis, GPM declined by 171bps mainly due to a softer performance of both Thailand-based tuna export and Europe-based branded business.

9M16 gross profit was at THB 15,214mn (+3.0% YoY). 9M16 GPM decreased by 100bps to 15.1%, compared with 16.1% in 9M15. A lower margin was attributable to volatility of raw material prices which has in turn put pressure on margins of the ambient tuna and frozen & chilled salmon business.

#### Selling and administrative expenses

3Q16 SG&A expenses were reduced by 6.6% YoY and 8.9% QoQ to THB 3,066mn, primarily thanks to active cost control and capitalization of Global Innovation Incubator (Gii) investment supported by privileges granted by the Thai government. Consequently, %SG&A-to-sales ratio declined to 8.7%, versus 10.1% in 3Q15 and 9.8% in 2Q16.

9M16 SG&A expenses were at THB 9,826mn, increased by 6.2% YoY, equivalent to 9.7% of sales vs. 10.1% in 9M15. The increase in absolute amount was caused by the acquisitions as well as an increase in marketing and promotions and personnel expenses during the period. This is below our SG&A target and guidance for 2016 10%.

#### FX Gain/loss

3Q16 reported small FX loss at THB 30mn, compared with a losses 55mn a year ago and a small gain of THB 32mn in 2Q16. However, due to the accounting reclassification, the 3Q15 FX was restated to THB 150mn, the impact of which is non-operational and non-cash.

9M16 FX reported a gain of THB 266mn vs. THB 884mn (restated to FX gain of THB 976mn) in 9M15. The huge FX gain from a year ago was due to a substantial one reported in 1Q15 due to volatile FX movements.

**Other incomes (including share of income from investment in associates)**

On YoY basis, 3Q16 other incomes declined to THB 290mn (-8.5% YoY). 9M16 other incomes increased by 24.3% YoY to THB 993mn.

**Finance cost**

3Q16 finance cost slightly decreased (-3.3% YoY) to THB 361mn, compared with THB 373mn in 3Q15 and THB 263mn in 2Q16. The drop was primarily attributable to a lower funding cost as well as a prudent financing policy despite increased interest-bearing debts. Thanks to conservative financing and a low interest rate environment, 3Q16 effective interest rate declined to 3.48%, compared with 3.96% in 3Q15, but increased from 2.86% in 2Q16. Interest-bearing debts as of 3Q16 amounted to THB 44,342mn vs. THB 36,684mn in 3Q15 and THB 38,471mn a quarter ago.

**Income tax expense**

3Q16 income tax expense fell significantly by 96.2% YoY and 96.5% QoQ to THB 17mn, mainly due to the benefits of tax credits from loss-making chilled and smoked salmon business and reduction tax liabilities. The estimated average annual tax rates used for three-month and nine-month period are therefore 0.96% and 15.15%, respectively (versus 18.62% and 17.80% as of 3Q15).

9M16 income tax expenses decreased by 20.9% YoY mainly due to the aforementioned reasons in 3Q16.

**Net profit**

3Q16 net profit slightly decreased by 1.9% YoY to THB 1,594mn, despite a challenging business environment posted by high tuna and salmon material prices. However, a decrease in net profit was offset by continued growing sales, lower SG&A expenses given active cost control and much lower income tax expenses. On QoQ basis, besides a lower gross profit, net profit actually increased slightly by 4.4%, mainly thanks to lower SG&A and income tax expenses.

Due to reclassification of certain foreign exchange hedging contract, following financial items were restated for comparison purpose. As a result, 3Q15 net profit was restated as THB 1,814mn, thus implying a 12.1% decline.

9M16 net profit was at THB 4,352mn, down 4.4% YoY, compared to THB 4,545mn in 9M15. The declined net profit was attributable to high tuna and salmon raw material prices.

Due to the accounting restatement, 9M15 net profit was restated as THB 4,639mn, representing a decline of 5.5%.

**Financial position analysis:**

As of 30 September 2016, TU's total assets were THB 118,815mn, a 7% increase from THB 110,958mn at the end of 2015, mainly due to recent investment activities.

Net inventories increased by 5.9% or THB 2,068mn, due to higher raw material prices compared with year end 2015. While net trade and other receivables increased by 5.2% or THB 857mn, sales also went up by 9.8% YoY during 9M16.

Total non-current assets increased to THB 60,950mn, mainly led by: 1) an increase in fixed assets worth THB 1,380mn, up 6.2% from the end of 2015; and 2) an increase in investments amounting to THB 2,787mn or up 129.7% from the same period a year ago from investments in affiliates, such as Avanti Frozen Foods Private Limited, during the quarter.

Total current liabilities dropped by 4.3% to THB 37,029mn mainly from the net repayment of THB 4,098mn of short term loans from financial institutions and related parties (down 21.1%) thru refinancing into long-term loan facilities.

Total liabilities increased THB 9,208mn due mainly to an issuance of debentures worth THB 10,000mn in July 2016.

Total shareholders' equity declined 2.8% from the end of 2015 to THB 46,666mn as the company paid an interim dividend during the quarter.

**Cash Flow analysis:**

In 9H16, net cash receipts from operating activities were THB 7,136mn, driven mostly by profitable operation during the quarter. Despite a significant increase in raw material prices from end-2015 level, TU reported a positive net working capital cash flow

of THB 371mn during 9M16 as the company continued to optimize its inventory level through successful arrangements with suppliers.

Net cash payments for investing activities were THB 7,631mn due to an increase in investment associated with M&A activities, namely: 1) Rugen Fish AG; 2) Les Pecheries de Chez Nous; 3) Avanti Frozen Foods Private Limited; and 4) the buyout of the minority stake of Tri-Union Frozen Products, Inc.

TU recorded net cash payments from financing activities of THB 896mn, mainly from strong operating cash flow that enabled a dividend payment (THB 2,982mn) during 9M16.

Net decreases in cash and cash equivalents, including an exchange loss on cash and cash equivalent were, THB 1,415mn. Cash and cash equivalents at the beginning period were THB 2,816mn. In sum, the balance at the end of period was THB 1,401mn.

**Relevant financial ratios:**

	3Q16	3Q15	2Q16
A/R Days	45	38	43
Inventory Days	108	114	106
Current Ratio (x)	1.56	1.51	1.51
ROCE (%)	10.7%	14.7%	13.0%
ROE (%)	14.8%	15.8%	13.8%
ROA (%)	7.3%	10.0%	8.8%
ND/E (x)	0.92	0.64	0.74
IBD/EBITDA (x)	3.80	2.63	3.02
Interest Coverage (x)	5.91	7.50	9.37
BV (Baht/share)	8.87	9.73	9.24

*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*

Due to an increase in sales, account receivable days as of 3Q16 slightly increased to 45 days, compared

with 38 days in 3Q15. On QoQ basis, the accounts receivable days were stable.

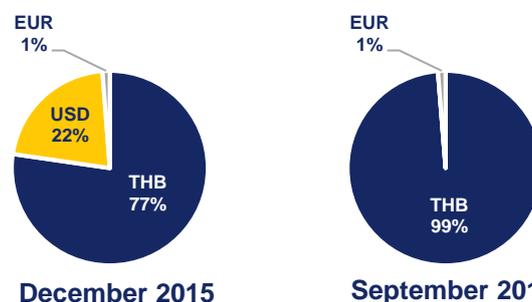
Inventory days as of 3Q16 dropped to 108 days, from 114 in 3Q15, primarily thanks to improving inventory turnover given our proactive measure to keep inventory lean. On QoQ basis, the inventory days were stable.

Return on capital employed (ROCE) as of 3Q16 declined to 10.7%. A decline was mainly due to lower earnings before tax and interest (EBIT) and increased capital employed given an increase in investments.

Net debt to equity (ND/E) as of 3Q16 was at 0.92x, compared with 0.64x in 3Q15 and 0.74x in 2Q16. A rise in ND/E was mainly from increased interest bearing debts and lower shareholders' equity base. However, the ratio is still below threshold of 1x.

Interest bearing debts (IBD) to EBITDA as of 3Q16 was at 3.80x, increased from 2.63x and 3.02x in 3Q15 and 2Q16 respectively. A higher ratio was attributable to increasing IBD and lower EBITDA generated during the quarter.

**Interest-bearing debt profile by currency:**

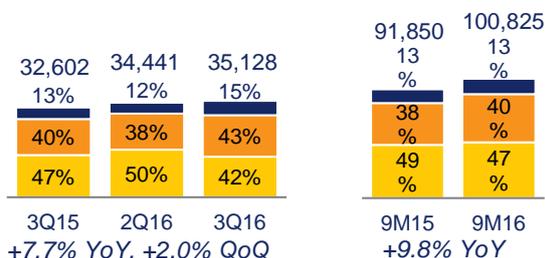


As of September 2016, interest-bearing debts were at THB 44,342mn, mainly denominated in the local currency. THB debts accounted for 99%, followed by EUR debts of 1%. An absence of USD debt and an increase in THB debt was mainly due to the issuance of bonds worth THB 10,000mn in July 2016, which were then used for debt refinancing at the US operations during the period.

**Business overview by business unit:**

**Total sales value:**

Unit: THB million



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

**Ambient seafood<sup>1</sup>:**

**Lapse demand after record sales in 2Q16**

	3Q15	2Q16	3Q16	9M15	9M16
<b>Value</b>	<b>15,307</b>	<b>17,261</b>	<b>14,733</b>	<b>44,964</b>	<b>47,192</b>
Brand	57.7%	59.7%	61.2%	57.4%	60.2%
PL	42.3%	40.3%	38.8%	42.6%	39.8%
<b>Volume</b>	<b>90,351</b>	<b>103,387</b>	<b>90,028</b>	<b>276,308</b>	<b>287,501</b>

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

Remark: PL stands for Private Label business

During 3Q16, TU's ambient seafood business recorded sales of THB 14,733mn, down 3.8% YoY and 14.6% QoQ. The decline was partly due to a lapse demand after the record sales volume in 2Q16, and partly to the GBP depreciation during the quarter.

3Q16 ambient seafood gross profit was at THB 2,190mn, down 32.0% YoY. The gross margin decline was due to high tuna raw material prices that affect both branded and private label businesses.

Year-to-date (9M), the ambient seafood business segment recorded revenue of THB 47,192mn (up 5.0% YoY) with gross profit of THB 8,439mn (down 2.4% YoY).

**Frozen, chilled seafood and related<sup>2</sup>:**  
**Business recovery underway**

	3Q15	2Q16	3Q16	9M15	9M16
<b>Value</b>	<b>13,197</b>	<b>13,152</b>	<b>15,138</b>	<b>35,209</b>	<b>40,515</b>
Brand	32.4%	31.7%	35.7%	35.4%	33.9%
PL	67.6%	68.3%	64.3%	64.6%	66.1%
<b>Volume</b>	<b>60,439</b>	<b>57,635</b>	<b>64,147</b>	<b>150,316</b>	<b>174,306</b>

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

TU's 3Q16 frozen, chilled seafood and related business sales was at THB 15,138mn, up 14.7% YoY and 15.1% QoQ. The sales improvement was due to both an increase in sales volume from improved domestic shrimp production, and an increase in

selling prices as the shrimp and salmon raw material prices increased from the previous year.

In 3Q16, frozen, chilled seafood and related business gross profit was at THB 1,377mn, down 8.3% YoY from a sharp increase in salmon price. However, the gross profit has improved 26.3% QoQ, due to a stable raw material environment and business recovery during the quarter.

Year-to-date, frozen, chilled seafood and related business recorded 9M16 revenue of THB 40,515mn (up 15.1% YoY) and gross profit of THB 3,633mn (up 4.6% YoY).

**PetCare, value-added and others<sup>3</sup>:**  
**Focusing on value-added products**

	3Q15	2Q16	3Q16	9M15	9M16
<b>Value</b>	<b>4,098</b>	<b>4,028</b>	<b>5,257</b>	<b>11,677</b>	<b>13,119</b>
Brand	6.6%	1.9%	16.2%	7.2%	9.3%
PL	93.4%	98.1%	83.8%	92.8%	90.7%
<b>Volume</b>	<b>31,031</b>	<b>34,654</b>	<b>42,493</b>	<b>91,742</b>	<b>108,692</b>

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

TU reported 3Q16 PetCare, value-added and others business sales of THB 5,257mn, representing a growth of 28.3% YoY. On QoQ, the segment sales were up 30.5%, driven by the reclassification of John West Steampot products to value-added segment. The PetCare and value-added businesses are strong positive contributors within this segment, both in term of sales growth and margin improvement. The gross profit was at THB 1,370mn, up 50.2% YoY.

Year-to-date, a PetCare, value added and others business recorded 9M16 revenue of THB 13,119mn (up 12.3% YoY) and gross profit of THB 3,144mn (up 18.5% YoY).

Remark:

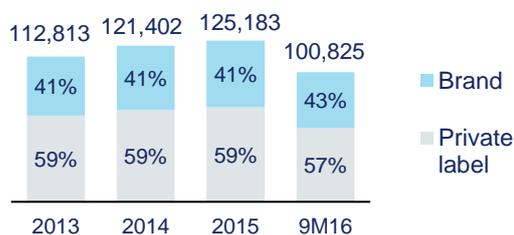
<sup>1</sup> Ambient seafood business includes entire tuna business, entire sardine & mackerel and ambient & pouch salmon

<sup>2</sup> Frozen, chilled seafood and related business includes shrimp & related business (shrimp, lobster, shrimp feed & value-added shrimp), frozen, chilled & smoked salmon and other seafood (frozen cephalopod, crab, scallop, shellfish and other fish)

<sup>3</sup> PetCare, value added & others business includes PetCare, value-added business (Ready-to-Eat products, maguro & cephalopod sashimi, local products, bakery products and snack)

**Sales breakdown by brand vs. private label:**

Unit: THB million



9M16 total branded sales grew 10.9% YoY, thanks to organic growth and M&As.

Private label sales reported strong growth of 9.0% YoY, mainly from selling price adjustment.

**Business overview by region:**

Unit: THB million

	2013	2014	2015	9M16
<b>Total sales</b>	<b>112,813</b>	<b>121,402</b>	<b>125,183</b>	<b>100,825</b>
<b>USA</b>	40.1%	44.0%	42.2%	39.0%
<b>Europe</b>	30.3%	28.9%	29.4%	33.3%
<b>Japan</b>	7.5%	7.4%	6.3%	6.2%
<b>Domestic</b>	8.3%	6.9%	8.0%	8.2%
<b>Others</b>	13.8%	12.8%	14.1%	13.3%

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

Higher sales contribution from the European markets, driven by strong performance of our existing brands and consolidation of recent acquisitions.

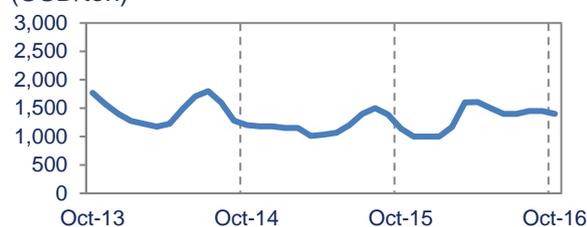
While US sales contribution slightly dropped, it continued to report growth on an absolute term.

**Key operating factors:**

**Challenged by raw material prices spike**

**Skipjack tuna raw material prices**

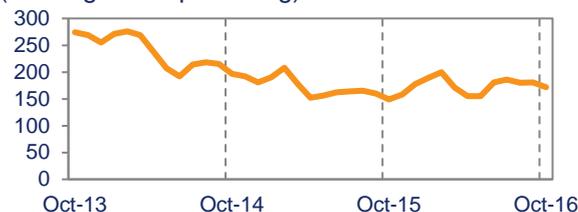
(USD/ton)



In October 2016, the tuna price closed at USD 1,400/ton. In 3Q16, the average price was at USD 1,433/ton (+0.2% YoY, -4.7% QoQ). The average price for 9M16 was at USD 1,400/ton (+15.4% YoY).

**White shrimp raw material prices**

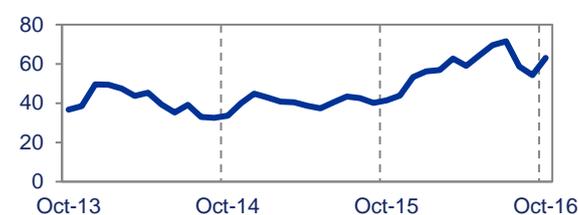
(THB/kg. of 60 pieces/kg)



In October 2016, shrimp price closed at THB 172/kg. In 3Q16, the average price was at THB 182/kg (+11.9% YoY, +11.4% QoQ). The average price for 9M16 was at THB 178/kg (+4% YoY).

**Salmon raw material prices**

(NOK/kg)



In October 2016, salmon price closed at NOK 63/kg. In 3Q16, the average price was at NOK 61/kg (+46.2% YoY, -4.4% QoQ). The average price for 9M16 was at NOK 61/kg (+50.8% YoY).

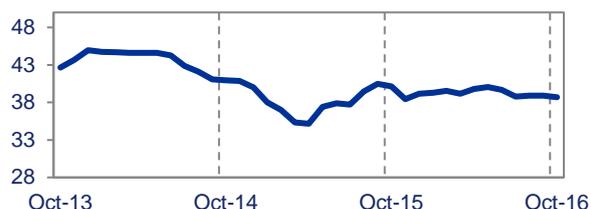
**Exchange rate**

**USD/THB**



In October 2016, USD/THB closed at 35.05. In 3Q16, the average USD/THB was at 34.84 (-1.2% YoY, +4.2% QoQ). The average USD/THB for 9M16 was at 35.26 (+4.6% YoY).

**EUR/THB**



In October 2016, EUR/THB closed at 38.92. In 3Q16, the average EUR/THB was at 38.87 (-0.9% YoY, -2.4% QoQ). The average EUR/THB for 9M16 was at 39.34 (+4.6% YoY).

**Key developments**

**M&As and JV**

- September 2016, the company acquired the remaining 18% interest in Tri-Union Frozen Products, Inc. (“TUFP”). TUFP operates business under “Chicken of the Sea Frozen Foods” brand. And it is a key US-based subsidiary of the company. The firm is the largest frozen seafood importer and distributor for the US market with its main products in shrimp, lobster and pasteurized crab meat. Prior to the acquisition, the company holds 82% interest in TUFP, while the remaining 18% was held by Diversified Food Products LLC. The acquisition price of this 18% interest would be equivalent to approximately THB 1.6bn. The acquisition was part of the company’s attempt to fully integrate interests in all subsidiaries in order to obtain effective control for better management and alignment of group’s strategies, corporate vision, mission and core value.
- October 2016, the company completed an investment in Red Lobster Master Holdings, L.P., the world’s largest seafood casual dining restaurant. Effectively, the investment consists of: 1) the ownership of 25% of the total outstanding common units in Red Lobster on the fully-diluted basis at the purchase price of USD 230mn; and 2) the total outstanding convertible preferred units with 10-year maturity in Red Lobster worth USD 345mn. If fully converted, these units will represent an effective 24% ownership in Red Lobster on the fully diluted basis. The aggregate purchase price of these investments worth USD 575mn. In addition, TU received certain rights (but with no obligation) to make additional investment within a specific period of time. The sources of funding are six-month

bridge loans from domestic financial institutions for an amount up to THB 20,100mn. The incremental benefits of this investment are: 1) an ability to pursue a strategy of forward integration to access a direct to consumer channel; 2) capitalizing on the trend of consumer dining out in the US; 3) strengthening the existing supplier-client relationship and; 4) EPS accretive investment. J.P. Morgan acted as the exclusive financial advisor to the company.

**Others**

- September 2016, Dow Jones Sustainability Indices (DJSI) Emerging Market announced its results for its 2016 Review. The company has been again included in the index for the third consecutive year. The listing was effective since Monday, 19 September 2016.
- October 2016, the Thai Institute of Directors (IOD) has assigned the Excellent Corporate Governance Scoring (5-star) to TU from its previous rating of Very Good CG (4-star) thru its annual Corporate Governance Report of Thai Listed Companies.

# Thai Union Group Public Company Limited

## Management Discussion and Analysis for 3Q16 Results



### Profit and loss statement

(Unit: THB mn)	Consolidated							
	3Q16	% to sales	3Q15**	% to sales	2Q16	% to sales	3Q16/3Q15 Change	3Q16/2Q16 Change
Sales	35,128	100%	32,602	100%	34,441	100%	7.7%	2.0%
Cost of sales	(30,190)	-85.9%	(26,968)	-82.7%	(29,012)	-84.2%	11.9%	4.1%
<b>Gross profit</b>	<b>4,937</b>	<b>14.1%</b>	<b>5,634</b>	<b>17.3%</b>	<b>5,428</b>	<b>15.8%</b>	<b>-12.4%</b>	<b>-9.0%</b>
SG&A expenses	(3,066)	-8.7%	(3,282)	-10.1%	(3,366)	-9.8%	-6.6%	-8.9%
FX gain (loss)	(30)	-0.1%	150	0.5%	32	0.1%	-120.1%	-194.7%
Other income*	290	0.8%	296	0.9%	368	1.1%	-2.0%	-21.2%
<b>EBIT</b>	<b>2,131</b>	<b>6.1%</b>	<b>2,798</b>	<b>8.6%</b>	<b>2,462</b>	<b>7.1%</b>	<b>-23.8%</b>	<b>-13.4%</b>
Finance cost	(361)	-1.0%	(373)	-1.1%	(263)	-0.8%	-3.3%	37.3%
<b>EBT</b>	<b>1,770</b>	<b>5.0%</b>	<b>2,425</b>	<b>7.4%</b>	<b>2,199</b>	<b>6.4%</b>	<b>-27.0%</b>	<b>-19.5%</b>
Tax	(17)	0.0%	(452)	-1.4%	(494)	-1.4%	-96.2%	-96.5%
<b>Net income</b>	<b>1,753</b>	<b>5.0%</b>	<b>1,973</b>	<b>6.1%</b>	<b>1,705</b>	<b>5.0%</b>	<b>-11.1%</b>	<b>2.8%</b>
<b>Net income (loss) attributable to:</b>								
<b>Equity holders of the Company</b>	<b>1,594</b>	<b>4.5%</b>	<b>1,814</b>	<b>5.6%</b>	<b>1,527</b>	<b>4.4%</b>	<b>-12.1%</b>	<b>4.4%</b>
Non-controlling interests of the subsidiaries	159	0.5%	160	0.5%	178	0.5%	-0.5%	-10.9%
<b>Earnings per share</b>								
Basic earnings per share	0.33		0.38		0.32		-13.2%	3.1%
Diluted earnings per share	0.33		0.38		0.32		-13.2%	3.1%
<b>Exchange rate</b>								
THB/USD	34.83		33.45		35.29		4.1%	-1.3%

\*Other income incl. share of profit from investments in associates

\*\*Some figures during the period were restated mainly due to an accounting adjustment as a result of the new policy on valuation of financial derivatives according to TFRS

(Unit: THB mn)	9M16					
	9M16	% to sales	9M15**	% to sales	9M16/9M15 Change	
Sales	100,825	100%	91,850	100%	9.8%	
Cost of sales	(85,611)	-84.9%	(77,078)	-83.9%	11.1%	
<b>Gross profit</b>	<b>15,214</b>	<b>15.1%</b>	<b>14,771</b>	<b>16.1%</b>	<b>3.0%</b>	
SG&A expenses	(9,826)	-9.7%	(9,251)	-10.1%	6.2%	
FX gain (loss)	266	0.3%	976	1.1%	-72.8%	
Other income*	993	1.0%	770	0.8%	29.0%	
<b>EBIT</b>	<b>6,647</b>	<b>6.6%</b>	<b>7,267</b>	<b>7.9%</b>	<b>-8.5%</b>	
Finance cost	(952)	-0.9%	(1,140)	-1.2%	-16.5%	
<b>EBT</b>	<b>5,695</b>	<b>5.6%</b>	<b>6,126</b>	<b>6.7%</b>	<b>-7.1%</b>	
Tax	(863)	-0.9%	(1,091)	-1.2%	-20.9%	
<b>Net income</b>	<b>4,832</b>	<b>4.8%</b>	<b>5,036</b>	<b>5.5%</b>	<b>-4.0%</b>	
<b>Net income (loss) attributable to:</b>						
<b>Equity holders of the Company</b>	<b>4,352</b>	<b>4.3%</b>	<b>4,639</b>	<b>5.1%</b>	<b>-6.2%</b>	
Non-controlling interests of the subsidiaries	480	0.5%	397	0.4%	20.8%	
<b>Earnings per share</b>						
Basic earnings per share	0.91		0.97		-6.6%	
Diluted earnings per share	0.91		0.97		-6.6%	
<b>Exchange rate</b>						
THB/USD	35.26		32.98		6.9%	

\*Other income incl. share of profit from investments in associates

\*\*Some figures during 9M15 were restated mainly due to an accounting adjustment as a result of the new policy on valuation of financial derivatives according to TFRS

## Financial position statement

(Unit: THB mn)	9M16	% to total assets	2015	% to total assets	Change
Cash and cash equivalents*	1,401	1.2%	2,816	2.5%	-50.2%
Trade and other receivables	17,412	14.7%	16,554	14.9%	5.2%
Inventories - net	37,248	31.3%	35,180	31.7%	5.9%
Other current assets	1,805	1.5%	2,547	2.3%	-29.1%
<b>Total current assets</b>	<b>57,865</b>	<b>48.7%</b>	<b>57,097</b>	<b>51.5%</b>	<b>1.3%</b>
Fixed assets	23,545	19.8%	22,165	20.0%	6.2%
Goodwill and other intangible assets	29,600	24.9%	27,396	24.7%	8.0%
Other non-current assets	7,806	6.6%	4,300	3.9%	81.5%
<b>Total Assets</b>	<b>118,815</b>	<b>100%</b>	<b>110,958</b>	<b>100%</b>	<b>7.1%</b>
Bank overdrafts and short-term loans	15,340	12.9%	19,437	17.5%	-21.1%
Trade and other payables	17,575	14.8%	13,731	12.4%	28.0%
Current portion of long-term loans	782	0.7%	1,561	1.4%	-49.9%
Current portion of debentures	2,499	2.1%	1,949	1.8%	28.2%
Current portion of finance lease liabilities	80	0.1%	91	0.1%	-11.5%
Other current liabilities	753	0.6%	1,904	1.7%	-60.5%
<b>Total current liabilities</b>	<b>37,029</b>	<b>31.2%</b>	<b>38,674</b>	<b>34.9%</b>	<b>-4.3%</b>
Long-term loans from financial institutions	1,072	0.9%	1,697	1.5%	-36.8%
Debentures	24,331	20.5%	14,231	12.8%	71.0%
Finance lease liabilities - net of current portion	237	0.2%	212	0.2%	11.5%
Other non-current liabilities	9,480	8.0%	8,127	7.3%	16.7%
<b>Total Liabilities</b>	<b>72,150</b>	<b>60.7%</b>	<b>62,941</b>	<b>56.7%</b>	<b>14.6%</b>
Non-controlling interests of the subsidiaries	4,328	3.6%	2,754	2.5%	57.2%
<b>Total Shareholders' Equity</b>	<b>46,666</b>	<b>39.3%</b>	<b>48,017</b>	<b>43.3%</b>	<b>-2.8%</b>
<b>Total liabilities and shareholders' equity</b>	<b>118,815</b>	<b>100%</b>	<b>110,958</b>	<b>100%</b>	<b>7.1%</b>

\*Including short term investment

## Cash flow statement

(Unit: THB mn)	Consolidated		
	9M16	9M15	Change
<b>Profit before income tax</b>	<b>5,695</b>	<b>6,126</b>	<b>(432)</b>
Adjustments for depreciation & amortisation expenses	2,207	1,972	234
Other adjustments	984	1,420	(436)
Changes in operating assets and liabilities	(478)	7,899	(8,376)
Cash flows receipts from operating activities	8,407	17,417	(9,010)
<b>Net cash receipts (payments) from operating activities</b>	<b>7,136</b>	<b>16,699</b>	<b>(9,563)</b>
<b>Net cash payments for investing activities</b>	<b>(7,631)</b>	<b>2,033</b>	<b>(9,663)</b>
<b>Net cash receipts (payments) for financing activities</b>	<b>(896)</b>	<b>(15,582)</b>	<b>14,686</b>
Net increase (decrease) in cash and cash equivalent	(1,391)	3,149	(4,540)
Cash and cash equivalents - opening balance	2,816	2,123	693
Exchange gain (loss) on cash and cash equivalents	(24)	(55)	31
<b>Cash and cash equivalents - closing balance</b>	<b>1,401</b>	<b>5,218</b>	<b>(3,817)</b>