

## 2016: A record annual sales

### Revenue

TU reported record annual revenue of THB134.4bn, an increase of 7.3% YoY (up 2.4% YoY in dollar term to USD 3,803mn), mainly driven by product price adjustment from higher shrimp and salmon raw material prices (prices up 6% and 50% YoY respectively during 2016) and the acquisitions of Rügen Fisch and Chez Nous.

### Gross profit

2016 gross profit was THB 19.9bn, up 2.2% YoY, driven mostly by sales growth. Gross margin was at 14.8%, down 75bps YoY from 15.6% in 2015 as higher and more volatile seafood raw material prices affected both ambient and chilled and frozen seafood businesses.

### Operating profit

2016 operating profit was THB 6,805mn, up 0.3% YoY, as the weak profit margin was partly offset by improved SG&A expenses ratio. As a result, the 2016 operating margin was at 5.1%, down only 36 bps YoY. 2016 SG&A to sales ratio were at 9.8%, down from 10.2% during 2015.

### Net profit

2016 net profit was at THB 5,254mn stable from 2015 net profit level of THB 5,302mn. Despite the tough operating environment from rising raw material prices, TU managed to reported stable net profit supported by dividend income contribution from Red Lobster, productive cost control efforts and lower tax expenses.

*With accounting restatement of non-operational items on 2015 financial statement, the 2015 net profit was restated to THB 5,373mn.*

### ND/E

Due to a number of investments made in 2016 and the higher work capital requirements from higher raw material prices during the year, ND/E position rose to 1.37x, still well under the requirement of the bond covenant.

### Stock Information

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

<b>Share price (20/02/2017)</b>	THB 19.80
Historical price:	
52-week high	THB 23.00
52-week low	THB 17.80
No. of shares:	4,771.8m
Par value:	THB 0.25
Market Cap.	THB 94.5bn
Avg. daily turnover (6 months)	THB 295.8mn

### Major shareholders

(30/12/2016)

Chansiri Family	20.15%
Thai NVDR Co., LTD.	12.62%
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	2016	2015*
Sales	134,375	125,183
Gross profit	19,927	19,501
EBITDA*	11,138	11,526
Net profit*	5,254	5,302
EPS (THB)*	1.10	1.11
GPM (%)	14.83	15.58
NPM (%)	3.91	4.24
ND/E (x)	1.37	0.75
ROCE (%)	0.10	0.12
IBD/EBITDA (x)	5.92	3.40

Remark: \*2015 Figures used as reported. However, there are some restatement when the company announced 2016 results

### Financial Statements Analysis:

Unit: THB mn	4Q16	4Q15**	YoY	2016	YoY
<b>Sales</b>	<b>33,550</b>	<b>33,333</b>	<b>0.7%</b>	<b>134,375</b>	<b>7.3%</b>
COGS	(28,837)	(28,603)	0.8%	(114,448)	8.3%
<b>GP</b>	<b>4,713</b>	<b>4,730</b>	<b>-0.4%</b>	<b>19,927</b>	<b>2.2%</b>
SG&A	(3,295)	(3,465)	-4.9%	(13,122)	3.2%
FX gain (loss)	(181)	128	-241.8%	84	-91.7%
Other income*	272	246	10.4%	1,265	21.0%
<b>EBIT</b>	<b>1,508</b>	<b>1,639</b>	<b>-8.0%</b>	<b>8,155</b>	<b>-7.8%</b>
Finance cost	(488)	(452)	7.9%	(1,440)	-9.5%
<b>EBT</b>	<b>1,020</b>	<b>1,187</b>	<b>-14.1%</b>	<b>6,715</b>	<b>-7.4%</b>
Tax	280	(211)	-232.8%	(583)	-56.3%
<b>Net income</b>	<b>902</b>	<b>757</b>	<b>19.1%</b>	<b>5,254</b>	<b>-0.9%</b>
<b>EPS</b>	<b>0.19</b>	<b>0.16</b>	<b>21.0%</b>	<b>1.10</b>	<b>-1.0%</b>
FX USD/THB	35.39	35.83	-1.2%	35.29	4.7%
GPM	14.0%	14.2%		14.8%	
%SG&A/Sales	9.8%	10.4%		9.8%	
NPM	2.7%	2.3%		3.9%	

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

\*\*Figures as reported in February 2016

During 2016, TU reported the record annual sales, mainly thanks to a consolidation of recent acquisitions of Rügen Fisch and Chez Nous, organic growth of existing businesses, price adjustment of chilled and frozen products to reflect increases in raw material costs. However, the margins were challenged by high raw material prices especially salmon and tuna businesses.

### Sales

4Q16 sales was at THB 33.6bn, up 0.7% YoY (or USD 948mn, +1.9% YoY), mainly boosted by consolidation of the recent acquisitions of Rügen Fisch and Chez Nous, price adjustment of frozen and chilled products to reflect higher raw material prices. On QoQ basis, the quarterly sales were down 4.5% to reflect the seasonality pattern of the company's sales, where 3Q is typically high season.

2016 sales were at THB 134.4bn (+7.3% YoY) or equivalent to USD 3,803mn (+2.4% YoY). Growth in THB sales were primary attributed to M&A and product price adjustments.

### Gross profit

4Q16 gross profit was recorded at THB 4,713mn (-0.4% YoY, -4.5% QoQ). 4Q16 GPM dropped to 14.0%, down 14bps from 14.2% in 4Q15. Profitability remained under pressure, mainly caused by continued an unexpected high tuna price (2016 tuna price up 21.8%) 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 put pressure on TU's salmon business from 1Q16.

Nonetheless, declining profitability was partly offset by the strong business performance of PetCare and value-added products.

2016 gross profit was at THB 19.9bn (+2.2% YoY). 2016 GPM decreased by 75bps to 14.8%, compared with 15.6% in 2015. 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

4Q16 SG&A expenses were reduced by 4.9% YoY to THB 3,295mn, 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 improved to 9.8%, versus, 10.4% in 4Q15 and 8.7% in 3Q16.

2016 SG&A expenses were at THB 13.1bn, increased by 3.2% YoY, compared to the sales growth 7.3%. 2016 SG&A to sales ratio was at 9.8% of sales vs. 10.2% in 2015. This is below the company's SG&A to sales ratio guidance of 10%.

### FX Gain/loss

4Q16 reported FX losses of THB 181mn, compared with gains of THB 128mn a year ago and a small losses of THB 30mn in 3Q16. 4Q16 FX losses was resulted from USD appreciation against the THB during the quarter.

2016 was a mixed year for FX volatility. The FX gains as a result from EUR depreciation during the 1H16 was offset by the losses as a result of USD appreciation in the latter half. As a result, the company reported 2016 FX gains of THB 84mn for the full year, down from a gain of THB 1,012mn during 2015

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

On YoY basis, 4Q16 other incomes increased to THB 272mn (+10.4% YoY) driven mainly by the dividend income from the investment in Red Lobster that start to contribute to the company's other incomes since 4Q16.

2016 other incomes increased by 29.8% YoY to THB 1,265mn, due mainly to the aforementioned reason.

### Finance cost

4Q16 finance cost increased (+7.9% YoY) to THB 488mn, compared with THB 452mn in 4Q15 and THB 361mn in 3Q16. The increase was mainly driven by the loan acquisition for the USD 575mn investment in Red Lobster. However, the effective interest cost has declined due to a number of debt refinancing throughout the year. 4Q16 effective interest rate declined to 3.5%, compared with 4.2% in 4Q15. Interest-bearing debts as at end of 2016 amounted to THB 65,919mn vs. THB 39,179mn at end-2015.

### Income tax expense

4Q16 income tax was positive of THB 280mn, mainly due to the decrease in deferred tax liabilities as a result from tax rate reduction in France. Moreover, the continued lost-making European salmon business still provided some tax credit for the company.

2016 effective tax rate was 8.7%, which is lower than 2015 effective tax rate of 18.4%.

### Net profit

4Q16 net profit was at THB 902mn, an increase of 19.1% YoY, from THB 757mn during 4Q15, driven mostly by a positive tax contribution and lower loss contribution from the fishing boat business compared to the same quarter of the previous year. Operation-wise, the net profit margin remained under pressure from a challenging business environment posted by high tuna and salmon raw material prices, but was offset by continued growing sales, lower SG&A expenses given active cost control. 4Q16 net margin was at 2.7%, compared to 2.3% during 4Q15.

Due to reclassification of certain foreign exchange hedging contract, some non-operating financial items were restated for comparison purpose. As a result, 4Q15 net profit was restated as THB 734mn, thus implying a 23% improvement YoY.

2016 net profit was at THB 5,254mn, down 0.9% YoY, compared to THB 5,302mn in 2015. The continued weak net profit during 2016 was mainly attributable to high tuna and salmon raw material prices.

Due to the accounting restatement, 2015 net profit was restated as THB 5,373mn, thus 2016 net profit representing a decline of 2.2% YoY.

### Financial position analysis:

As of 31 December 2016, TU's total assets were THB 142,365mn, a 28.3% increase from THB 110,958mn at the end of 2015, mainly due to recent investment activities, namely Rügen Fisch and Red Lobster.

Net inventories increased by 12.6% or THB 4,446mn, due to new business consolidation, growing sales and higher raw material prices compared with year end 2015. Despite sales growth of 7.3% YoY, trade and other receivables was down 0.9% from end-2015 level, reflecting more efficient collection period.

Total non-current assets increased to THB 82,287mn, up 52.8% YoY, mainly led by the USD575mn investment in Red Lobster during 4Q16. As a result, the investments increased by THB 24.0bn compared to end-2015.

Total current liabilities increased by 55.0% to THB 59,242mn, mainly from the bridge loan facility to support the investment in Red Lobster. Account payable also increased by 26.9% to THB 17,429mn due to new business consolidation and rising raw material prices.

Total liabilities increased 50.8% (THB 31,988mn) to THB 94,930mn at end-2016 due mainly to increases in both short and long term loans to support a number of investments and acquisitions during the year.

Total shareholders' equity declined 1.2% from the end of 2015 to THB 47,436mn as the company continued to pay dividend during the year.

### Cash Flow analysis:

In 2016, net cash receipts from operating activities were THB 7,770mn. Positive cash flow was driven mostly by profitable operation (EBITDA: THB 11,138mn) during the year despite challenging operational outlook. A sharp rise tuna and salmon raw material prices and a new business consolidation has resulted in higher inventory value and a negative net working capital of THB 1,026mn during 2016.

Net cash payments for investing activities were THB 29,400mn due to M&A and investment in related companies, namely: 1) Red Lobster, 2) Rügen Fisch AG; 3) Les Pecheries de Chez Nous; 4) Avanti Frozen Foods Private Limited; and 5) the buyout of the minority stake of Tri-Union Frozen Products, Inc.

TU recorded net cash receipts from financing activities of THB 19,821mn, mainly from a number of

M&A and investment transactions during the year. However, the strong operating cash flow still enabled the company to pay a dividend (THB 2,982mn) during 2016.

Net decreases in cash and cash equivalents, including an exchange loss on cash and cash equivalent were THB 1,840mn. Cash and cash equivalents at the beginning period were THB 2,816mn. In sum, the balance at the end of period was THB 976mn.

**Financial ratio highlights:**

	2014	2015	2016
A/R Days	43	44	41
Inventory Days	131	124	118
Current Ratio (x)	1.51	1.47	1.51
ROCE (%)	12.5%	12.0%	10.5%
ROE (%)	12.2%	11.9%	11.8%
ROA (%)	7.6%	7.8%	6.4%
ND/E (x)	0.85	0.75	1.37
IBD/EBITDA (x)	4.25	3.40	5.92
Interest Coverage (x)	5.07	5.55	5.66
BV (Baht/share)	9.42	9.60	9.06

*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*

While the company reported a solid sales growth of 7.3%, 2016-end trade receivable was marginally lower than 2015-end. As a result, 2016 account receivable (A/R) days have declined to 41 days, from 44 days during 2015.

Inventory days as of 2016 dropped to 118 days, from 124 days in 2015, primarily thanks to efficient inventory management amidst the rising raw material price environment.

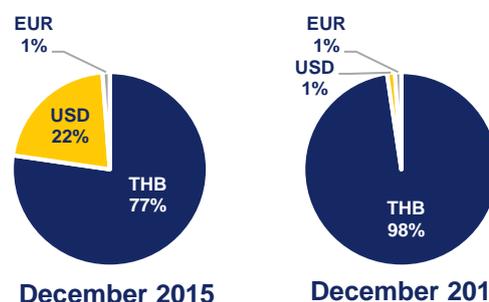
2016 Return on capital employed (ROCE) declined to 10.5%, from 12.0% during 2015. The decline was

mainly due to lower EBIT YoY and an increased capital employed due to a number of acquisitions and investments during the year.

Net debt to equity (ND/E) as of end-2016 was at 1.37x, compared with 0.75x at end-2015. A rise in ND/E was mainly from increased interest bearing debts to finance investments during the year.

Interest bearing debts (IBD) to EBITDA as of 2016 was at 5.92x, increased from 3.40x at end-2015. A higher ratio was largely attributable to increasing IBD to fund investments during 2016.

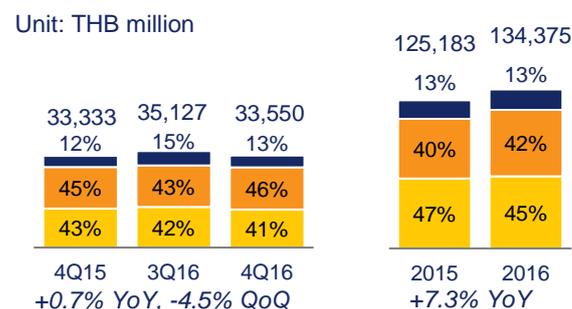
**Interest-bearing debt profile by currency:**



As of December 2016, interest-bearing debts were at THB 65,918mn, mainly denominated in the local currency. THB debts accounted for 98%, followed by EUR debts of 1% and USD debts of 1%. An increase in THB debt was mainly due to a significant rise in debts secured for investment in Red Lobster.

**Business overview by business unit:**

**Total sales value:**



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

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

#### 2016 sales growth driven by M&A

	4Q15	3Q16	4Q16	2015	2016
<b>Value</b>	<b>14,178</b>	<b>14,733</b>	<b>13,852</b>	<b>59,142</b>	<b>61,043</b>
Brand	51.9%	61.2%	53.5%	56.1%	58.7%
PL	48.1%	38.8%	46.5%	43.9%	41.3%
<b>Volume</b>	<b>89,117</b>	<b>90,028</b>	<b>88,415</b>	<b>365,421</b>	<b>375,916</b>

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

Remark: PL stands for Private Label business

During 4Q16, TU's ambient seafood business recorded sales of THB 13,852mn, down 2.3% YoY and 6.0% QoQ. The decline was partly due to a lower canned tuna sales during the quarter as the US canned tuna are focusing on profitability over volume sales. The decline was partly offset by growing volume sales from the consolidation of Rügen Fisch.

4Q16 ambient seafood gross profit was at THB 1,944mn, down 19.7% YoY. The gross margin decline was due to high tuna and salmon raw material prices that affect both branded and private label businesses. Moreover, TU incurred product recall expenses from the US canned tuna business.

2016 ambient seafood business segment recorded revenue of THB 61,042mn (up 3.2% YoY) with gross profit of THB 10,382mn (down 6.2% YoY).

### Frozen, chilled seafood and related<sup>2</sup>:

#### Business recovery continued

	4Q15	3Q16	4Q16	2015	2016
<b>Value</b>	<b>15,099</b>	<b>15,138</b>	<b>15,317</b>	<b>50,307</b>	<b>55,832</b>
Brand	33.3%	35.7%	32.1%	34.8%	33.4%
PL	66.7%	64.3%	67.9%	65.2%	66.6%
<b>Volume</b>	<b>67,521</b>	<b>64,147</b>	<b>64,837</b>	<b>217,837</b>	<b>239,143</b>

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

TU's 4Q16 frozen, chilled seafood and related business sales was at THB 15,317mn, up 1.5% YoY and 1.2% QoQ. The sales improvement was mainly attributable to an increase in selling prices as the shrimp and salmon raw material prices increased from the previous year.

In 4Q16, frozen, chilled seafood and related business gross profit was at THB 1,466mn, down 22.6% YoY from a sharp increase in salmon price from 2015 level. However, compared to 3Q16, the gross profit improved 6.4% QoQ, due to an ability to pass on higher raw material costs to customers.

2016 frozen, chilled seafood and related business recorded revenue of THB 55,832mn (up 11.0% YoY) and gross profit of THB 5,099mn (down 5.0% YoY).

### PetCare, value-added and others<sup>3</sup>:

#### Delivering strong operational performance

	4Q15	3Q16	4Q16	2015	2016
<b>Value</b>	<b>4,057</b>	<b>5,257</b>	<b>4,381</b>	<b>15,734</b>	<b>17,500</b>
Brand	4.5%	16.2%	10.6%	6.5%	9.7%
PL	95.5%	83.8%	89.4%	93.5%	90.3%
<b>Volume</b>	<b>30,746</b>	<b>42,493</b>	<b>30,961</b>	<b>122,488</b>	<b>139,653</b>

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

TU reported 4Q16 PetCare, value-added and others business sales of THB 4,381mn, representing a growth of 8.0% YoY. The PetCare business was strong positive contributor within this segment, with sales growth of 12.5% YoY. 4Q16 segment gross profit was at THB 1,302mn, up 41% YoY.

2016 PetCare, value added and others business recorded revenue of THB 17,500mn (up 11.2% YoY) with a gross profit of THB 4,447mn (up 24.3% 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



2016 total branded sales grew 8.7% YoY, thanks to organic growth, mainly in the European market, and Rügen Fisch consolidation.

Private label sales reported strong growth of 6.4% YoY, from both sales volume growth and selling price adjustment.

**Business overview by region:**

Unit: THB million

	2013	2014	2015	2016
<b>Total sales</b>	<b>112,813</b>	<b>121,402</b>	<b>125,183</b>	<b>134,375</b>
<b>USA</b>	40.1%	44.0%	42.2%	39.4%
<b>Europe</b>	30.3%	28.9%	29.4%	32.5%
<b>Japan</b>	7.5%	7.4%	6.3%	6.4%
<b>Domestic</b>	8.3%	6.9%	8.0%	8.3%
<b>Others</b>	13.8%	12.8%	14.1%	13.4%

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

Higher sales contribution from the European markets to 33% (from 29% during 2015) was driven by strong performance of our existing brands and consolidation of recent acquisitions.

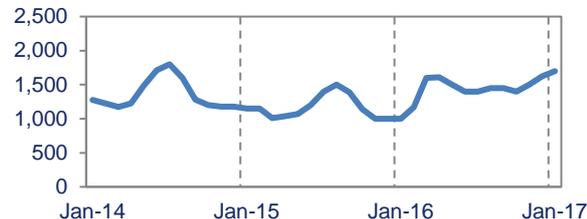
While US sales contribution dropped to 39% (from 42% in 2015) as the company is focusing on profitability-focused pricing strategy, it continued to report growth on an absolute term.

**Key operating factors:**

**Raw material prices are on the rise due to challenges in supply**

**Skipjack tuna raw material prices**

(USD/ton)



In January 2017, tuna price closed at USD 1,700/ton. In 4Q16, the average price was at USD 1,508/ton (+44.1% YoY, -5.8% QoQ). The average price for 2016 was at USD 1,425/ton (+21.8% YoY).

**White shrimp raw material prices**

(THB/kg. of 60 pieces/kg)

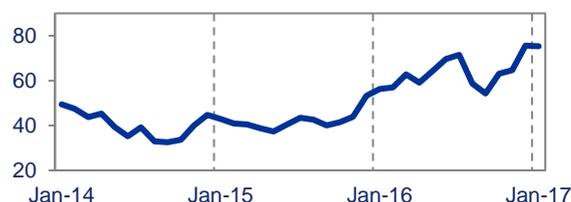


In January 2017, shrimp price closed at THB 217/kg. In 4Q16, the average price was at THB 182/kg (+12.4% YoY, -0.4% QoQ). The average price for

2016 was at THB 179/kg (+6.0% YoY).

**Salmon raw material prices**

(NOK/kg)



In January 2017, salmon price closed at NOK 75/kg. In 4Q16, the average price was at NOK 68/kg (+47.2% YoY, +10.6% QoQ). The average price for 2016 was at NOK 63/kg (+49.8% YoY).

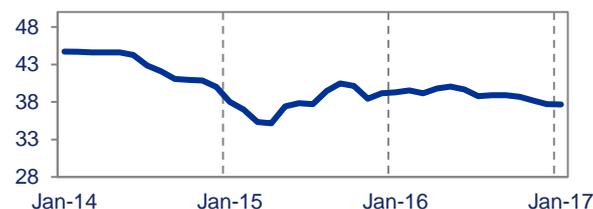
**Exchange rate**

**USD/THB**



In January 2017, USD/THB closed at 35.43. In 4Q16, the average USD/THB was at 35.39 (-1.2% YoY, +1.6% QoQ). The average USD/THB for 2016 was at 35.29 (+2.9% YoY).

**EUR/THB**



In January 2017, EUR/THB closed at 37.68. In 4Q16, the average EUR/THB was at 38.19 (-2.7% YoY, -1.8% QoQ). The average EUR/THB for 2016 was at 39.03 (+2.6% YoY).

## GBP/THB



In January 2017, GBP/THB closed at 43.73. In 4Q16, the average GBP/THB was at 43.97 (-19.1% YoY, -4.0% QoQ). The average GBP/THB for 2016 was at 47.80 (-8.8% YoY).

## Key developments

### Investment

- December 2016, Thai Union Manufacturing Co., Ltd., a subsidiary of the company disposed 50% common shares of Century (Shanghai) Trading Co., Ltd. to Century Pacific Food, Incorporation. The transaction worth of USD 623,594.
- December 2016, the company has announced an establishment of a wholly owned subsidiary in Shanghai, China called Thai Union China Co., Ltd. The company aims to participate in growing market of frozen, chilled and premium ambient seafood, develop the existing presence in China as well as to build platform for growth to achieve the company's objective in 2020.

### Others

- January 2017, the company has been added to FTSE4Good Emerging Index for the first year. The listing has been effective since December 2016. The inclusion in the index shows that TU has demonstrated strong ESG practices. The assessment was carried out between April 2015 – February 2016. And the results were calculated in June 2016.
- November 2016, the company has been named to Thailand Sustainability Investment 2016 list for the second consecutive years.

### Financing

- January 2017, the company has issued the largest-ever debentures amounted to THB 12,000mn. The offered tenors were 3-year (THB 3,500mn), 5-year (THB 2,000mn), 7-year (THB 2,500mn) and 10-year (THB 4,000mn) with coupon rate of 2.49%,

2.91%, 3.58% and 3.94% respectively. The debentures were offered to the institutional and high-net-worth investors. In additions, the company also secured long-term loans worth THB 12,500mn with financial institutions in Thailand. In sum, TU has secured long-term funds amounted to THB 24,500mn mainly for refinancing the existing loan funded for Red Lobster investment.

### Dividend payment

- Final dividend payment for the operating results during 1 July – 31 December 2016 as per the resolution of the Board of Directors dated 21 February 2017 is 0.31 THB/share. This makes a full year dividend payment of THB 0.63/share, representing 57.2% payout ratio. XD date is 6 March 2017. Book closing date is 9 March 2017. And payment date is 20 April 2017.

### 2017 Financial Target:

<b>Sales</b>	THB 150bn
<b>GPM</b>	15% - 16%
<b>SG&amp;A to sales</b>	10%
<b>Effective interest rate</b>	No material change from 2016
<b>Effective tax rate</b>	15%
<b>CAPEX</b>	Approx. THB 4.8bn
<b>Dividend Policy</b>	At least 50% payout

The company has set 2017 financial target based on the current preliminary forecast which may subject to change if the key operating factors that affect the company's operating performances variate from the company assumptions.

### Material risk factors

Statements included or incorporated by reference herein may constitute "forward-looking statements," which are based on expectations, forecasts, and assumptions by the company's management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

- Fluctuations in raw material prices from, but not limited to: 1) disruptions in the supply of key raw materials, 2) outbreak of marine diseases;
- Non-tariff trade barrier and international regulation that threat to ban seafood trade in the countries where Thai Union is operating, including the sustainability issues covering responsible sourcing and safe and legal labor;
- Rising consumer awareness about seafood-related sustainability issues;
- Fluctuations in currency exchange rates;
- Risks associated to new investment and M&As including post-merger integration;
- Risks associated to the new product innovations does not keep up with the customer and consumer tastes, preferences and behaviors;
- Fish and seafood competitive landscape as some seafood market growth has become stagnant over the past few years;
- Continued or increased price competition;
- Risks associate to the international and local tax changes;
- Risks associated to the international and local law and regulations
- Risks associated to the inventory management to fulfill to customer order while optimize the company's financial performance;

However, Thai Union also anticipates various inherent risks, which are currently immaterial, which involving macro environment, industry sustainability investment, good governance, health and safety, internal operation and financial activities, for example:

- Changing international trade regulation and tariff;
- Decline in industry sales volume, particularly in the United States and European markets, due to financial crisis, recession, geopolitical events, or other factors;
- Decline in the company's market share or failure to achieve growth;
- Fluctuations in interest rates;
- Adverse effects resulting from economic, geopolitical, or other events;
- Work stoppages at the company's facilities or other limitations on production (whether as a result of labor disputes, natural or man-made disasters, production constraints or difficulties, or other factors);
- Labor or other constraints on the company's ability to maintain competitive cost structure;

- The discovery of defects in the company's products resulting in delays in product launches, recall campaigns, or increased warranty costs;
- Adverse effects on results from a decrease in or cessation or expiration of government incentives related to investments;
- Increased competition from suppliers, customers or third parties seeking to expand their presence vertically.

Thai Union is aware of importance of risk management throughout organization. Thai Union has a clear risk management policy and structure with systematic and consistent framework to proactively manage the aforementioned risks.

However, the company cannot be certain that any expectation, forecast, or assumption made in preparing forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. The company's forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events, or otherwise.

# Thai Union Group Public Company Limited

## Management Discussion and Analysis for 2016 Results



### Profit and loss statement

(Unit: THB mn)	Consolidated							
	4Q16	% to sales	4Q15**	% to sales	3Q16	% to sales	4Q16/ 4Q15 Change	4Q16/ 3Q16 Change
Sales	33,550	100%	33,333	100%	35,128	100%	0.7%	-4.5%
Cost of sales	(28,837)	-86.0%	(28,603)	-85.8%	(30,190)	-85.9%	0.8%	-4.5%
<b>Gross profit</b>	<b>4,713</b>	<b>14.0%</b>	<b>4,730</b>	<b>14.2%</b>	<b>4,937</b>	<b>14.1%</b>	<b>-0.4%</b>	<b>-4.5%</b>
SG&A expenses	(3,295)	-9.8%	(3,465)	-10.4%	(3,066)	-8.7%	-4.9%	7.5%
FX gain (loss)	(181)	-0.5%	128	0.4%	(30)	-0.1%	-241.8%	500.4%
Other income*	272	0.8%	246	0.7%	290	0.8%	10.4%	-6.2%
<b>EBIT</b>	<b>1,508</b>	<b>4.5%</b>	<b>1,639</b>	<b>4.9%</b>	<b>2,131</b>	<b>6.1%</b>	<b>-8.0%</b>	<b>-29.2%</b>
Finance cost	(488)	-1.5%	(452)	-1.4%	(361)	-1.0%	7.9%	35.2%
<b>EBT</b>	<b>1,020</b>	<b>3.0%</b>	<b>1,187</b>	<b>3.6%</b>	<b>1,770</b>	<b>5.0%</b>	<b>-14.1%</b>	<b>-42.4%</b>
Tax	280	0.8%	(211)	-0.6%	(17)	0.0%	-232.8%	-1740.4%
Profit (Loss) from discontinued operation	(272)	-0.8%	0	0.0%	0	0.0%	0	0.0%
<b>Net income</b>	<b>1,028</b>	<b>3.1%</b>	<b>976</b>	<b>2.9%</b>	<b>1,753</b>	<b>5.0%</b>	<b>5.3%</b>	<b>-41.4%</b>
<b>Net income (loss) attributable to:</b>								
<b>Equity holders of the Company</b>	<b>902</b>	<b>2.7%</b>	<b>757</b>	<b>2.3%</b>	<b>1,594</b>	<b>4.5%</b>	<b>19.1%</b>	<b>-43.4%</b>
Non-controlling interests of the subsidiaries	126	0.4%	219	0.7%	159	0.5%	-42.4%	-20.7%
<b>Earnings per share</b>								
Basic earnings per share	0.19		0.16		0.33		21.0%	-41.8%
Diluted earnings per share	0.19		0.16		0.33		21.0%	-41.8%
<b>Exchange rate</b>								
THB/USD	35.39		35.83		34.83		-1.2%	1.6%

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

\*\*Figures as reported in February 2016

(Unit: THB mn)	2016					2015**				
	2016	% to sales	2015**	% to sales	2016/ 2015 Change	2016	% to sales	2015**	% to sales	2016/ 2015 Change
Sales	134,375	100%	125,183	100%	7.3%	134,375	100%	125,183	100%	7.3%
Cost of sales	(114,448)	-85.2%	(105,682)	-84.4%	8.3%	(114,448)	-85.2%	(105,682)	-84.4%	8.3%
<b>Gross profit</b>	<b>19,927</b>	<b>14.8%</b>	<b>19,501</b>	<b>15.6%</b>	<b>2.2%</b>	<b>19,927</b>	<b>14.8%</b>	<b>19,501</b>	<b>15.6%</b>	<b>2.2%</b>
SG&A expenses	(13,122)	-9.8%	(12,716)	-10.2%	3.2%	(13,122)	-9.8%	(12,716)	-10.2%	3.2%
FX gain (loss)	084	0.1%	1,012	0.8%	-91.7%	084	0.1%	1,012	0.8%	-91.7%
Other income*	1,265	0.9%	1,045	0.8%	21.0%	1,265	0.9%	1,045	0.8%	21.0%
<b>EBIT</b>	<b>8,155</b>	<b>6.1%</b>	<b>8,842</b>	<b>7.1%</b>	<b>-7.8%</b>	<b>8,155</b>	<b>6.1%</b>	<b>8,842</b>	<b>7.1%</b>	<b>-7.8%</b>
Finance cost	(1,440)	-1.1%	(1,592)	-1.3%	-9.5%	(1,440)	-1.1%	(1,592)	-1.3%	-9.5%
<b>EBT</b>	<b>6,715</b>	<b>5.0%</b>	<b>7,250</b>	<b>5.8%</b>	<b>-7.4%</b>	<b>6,715</b>	<b>5.0%</b>	<b>7,250</b>	<b>5.8%</b>	<b>-7.4%</b>
Tax	(583)	-0.4%	(1,332)	-1.1%	-56.3%	(583)	-0.4%	(1,332)	-1.1%	-56.3%
Profit (Loss) from discontinued operation	(272)	-0.2%	0	0.0%	0.0%	(272)	-0.2%	0	0.0%	0.0%
<b>Net income</b>	<b>5,860</b>	<b>4.4%</b>	<b>5,918</b>	<b>4.7%</b>	<b>-1.0%</b>	<b>5,860</b>	<b>4.4%</b>	<b>5,918</b>	<b>4.7%</b>	<b>-1.0%</b>
<b>Net income (loss) attributable to:</b>										
<b>Equity holders of the Company</b>	<b>5,254</b>	<b>3.9%</b>	<b>5,302</b>	<b>4.2%</b>	<b>-0.9%</b>	<b>5,254</b>	<b>3.9%</b>	<b>5,302</b>	<b>4.2%</b>	<b>-0.9%</b>
Non-controlling interests of the subsidiaries	606	0.5%	616	0.5%	-1.6%	606	0.5%	616	0.5%	-1.6%
<b>Earnings per share</b>										
Basic earnings per share	1.10		1.11		-1.0%	1.10		1.11		-1.0%
Diluted earnings per share	1.10		1.11		-1.0%	1.10		1.11		-1.0%
<b>Exchange rate</b>										
THB/USD	35.29		33.69		4.7%	35.29		33.69		4.7%

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

\*\*Figures as reported in February 2016

### Financial position statement

(Unit: THB mn)	2016	% to total assets	2015**	% to total assets	Change
Cash and cash equivalents*	976	0.7%	2,816	2.5%	-65.3%
Trade and other receivables	16,412	11.5%	15,776	14.2%	4.0%
Inventories - net	39,626	27.8%	35,180	31.6%	12.6%
Other current assets	3,064	2.2%	3,083	2.8%	-0.6%
<b>Total current assets</b>	<b>60,079</b>	<b>42.2%</b>	<b>56,855</b>	<b>51.0%</b>	<b>5.7%</b>
Fixed assets	23,281	16.4%	23,072	20.7%	0.9%
Goodwill and other intangible assets	29,583	20.8%	27,396	24.6%	8.0%
Other non-current assets	29,424	20.7%	4,154	3.7%	608.3%
<b>Total Assets</b>	<b>142,365</b>	<b>100%</b>	<b>111,477</b>	<b>100%</b>	<b>27.7%</b>
Bank overdrafts and short-term loans	36,983	26.0%	19,437	17.4%	90.3%
Trade and other payables	17,429	12.2%	12,262	11.0%	42.1%
Current portion of long-term loans	765	0.5%	1,561	1.4%	-51.0%
Current portion of debentures	2,500	1.8%	1,949	1.7%	28.3%
Current portion of finance lease liabilities	82	0.1%	91	0.1%	-9.5%
Other current liabilities	1,483	1.0%	3,266	2.9%	-54.6%
<b>Total current liabilities</b>	<b>59,242</b>	<b>41.6%</b>	<b>38,567</b>	<b>34.6%</b>	<b>53.6%</b>
Long-term loans from financial institutions	963	0.7%	1,697	1.5%	-43.2%
Debentures	24,417	17.2%	14,231	12.8%	71.6%
Finance lease liabilities - net of current portion	208	0.1%	212	0.2%	-1.8%
Other non-current liabilities	10,099	7.1%	8,145	7.3%	24.0%
<b>Total Liabilities</b>	<b>94,930</b>	<b>66.7%</b>	<b>62,851</b>	<b>56.4%</b>	<b>51.0%</b>
Non-controlling interests of the subsidiaries	4,193	2.9%	2,838	2.5%	47.8%
<b>Total Shareholders' Equity</b>	<b>47,436</b>	<b>33.3%</b>	<b>48,626</b>	<b>43.6%</b>	<b>-2.4%</b>
<b>Total liabilities and shareholders' equity</b>	<b>142,365</b>	<b>100%</b>	<b>111,477</b>	<b>100%</b>	<b>27.7%</b>

\*Including short term investment

\*\*Figures as reported in February 2016

### Cash flow statement

(Unit: THB mn)	Consolidated		
	2016	2015*	Change
<b>Profit before income tax</b>	<b>6,443</b>	<b>7,338</b>	<b>(896)</b>
Adjustments for depreciation & amortisation expenses	2,983	2,726	257
Other adjustments	1,660	2,299	(639)
Changes in operating assets and liabilities	(1,609)	4,434	(6,042)
Cash flows receipts from operating activities	9,476	16,797	(7,321)
<b>Net cash receipts (payments) from operating activities</b>	<b>7,770</b>	<b>15,727</b>	<b>(7,957)</b>
<b>Net cash payments for investing activities</b>	<b>(29,400)</b>	<b>742</b>	<b>(30,142)</b>
<b>Net cash receipts (payments) for financing activities</b>	<b>19,821</b>	<b>(15,701)</b>	<b>35,522</b>
Net increase (decrease) in cash and cash equivalent	(1,809)	767	(2,576)
Cash and cash equivalents - opening balance	2,816	2,123	693
Exchange gain (loss) on cash and cash equivalents	(31)	(75)	44
<b>Cash and cash equivalents - closing balance</b>	<b>976</b>	<b>2,816</b>	<b>(1,840)</b>
<b>CAPEX</b>	<b>(3,933)</b>	<b>(3,181)</b>	<b>(752)</b>
Management Est. Free Cash Flows	<b>3,837</b>	<b>11,664</b>	<b>(7,827)</b>

\*Figures as reported in February 2016