

**3Q18: Best quarterly net profits since 2015**
**Revenue**

3Q18 sales declined by 1.9% YoY to THB 34,174mn, driven mainly by Thai Baht appreciation against US Dollar (1.2% YoY) and raw material price decline. Excluding the impact of foreign exchange, sales would have declined slightly (-0.8%) from the same period last year. 9M18 sales was down 2.9% YoY to THB97,314mn (1.1% YoY excluding FX impact).

**Gross profit**

3Q18 Gross profit was at THB 5,378mn, up 8.5% YoY and 14.0% QoQ. The improvement was mainly due to more stable raw material prices and product price recovery. 3Q18 margin was at 15.7%, up 152bps YoY. 9M18 gross profits was THB 13,468mn, down 7.1% YoY.

**Operating profit**

3Q18 operating profit was at THB 1,834mn, up 33.1% YoY. The improvement YoY was mainly due to lower inventory cost in our tuna business, recovery of the Petcare business and cost control initiatives, which drove SG&A expenses down 0.9% YoY. However, weak sales resulted in an increase of 3Q18 SG&A-to-sales ratio to 10.4%, from 10.3% during 3Q17.

**Net profit**

Despite lower FX gains, the improved operating profits drove TU's normalized net profits up 0.4% YoY to THB1,730mn, which is the record quarterly profit since 2015. With a one-off asset impairment related to the possible sale or closure of our Scottish Salmon processing business worth THB420mn, 3Q18 reported net profit was at THB 1,310mn. 9M18 normalized net profit was down 13.3% YoY, mostly due to the weak 1Q18 operations.

**Cash flow and ND/E**

With efficient inventory management and recovering operations, 3Q18 free cash flow (FCF) was at THB 2,186mn with a Cash Conversion rate of 0.98. TU's end-3Q18 net debt-to-equity ratio was at 1.40x, down from 1.41x at end-2Q18 and still below the net D/E covenant of 2.0x.

**Scotland salmon business divestment**

In September 2018, the Group announced an intention to divest the chilled salmon business in Scotland through sale or, as a late resort, closure. The subsidiary's financial is reported as a

discontinuing operation with a one-time impairment expenses related to the business worth THB 420mn.

**Stock Information**

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

<b>Share price (02/11/2018)</b>	THB 16.80
Historical price:	
52-week high	THB 18.10
52-week low	THB 17.90
No. of shares:	4,771.8m
Par value:	THB 0.25
Market Cap.	THB 80.2bn
Avg. value trade/day (YTD)	THB 200.1mn

**Major shareholders**

(28/09/2018)

Chansiri Family	19.93%
Mitsubishi Corporation	7.29%
Thai NVDR Co., LTD.	7.34%
Social Security Office	7.21%
Niruttinanon Family	6.87%

**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	3Q18	3Q17	2Q18
Sales	34,174	34,852	33,803
Gross profit	5,378	4,956	4,717
EBITDA	3,221	3,049	2,803
Net profit	1,310	1,723	1,370
EPS (THB)	0.27	0.37	0.29
GPM (%)	15.74	14.22	13.95
NPM (%)	3.83	4.94	4.05
ND/E (x)	1.40	1.37	1.41
ROCE (%)	9.80	8.65	7.88
IBD/EBITDA (x)	5.03	5.53	5.88

Remark: \*Restated according to financial statement reported as of September 2018

Remark: Normalized operation excludes one-time accruals related to US legal settlement of THB 1,359mn (2Q18) and asset impairment of potential ESCo divestment of THB 420mn (3Q18)

**Financial Statements Analysis:**

Unit: THB mn	3Q18	3Q17**	YoY	2Q18**	QoQ
<b>Sales</b>	<b>34,174</b>	<b>34,852</b>	<b>-1.9%</b>	<b>33,803</b>	<b>1.1%</b>
COGS	(28,795)	(29,896)	-3.7%	(29,086)	-1.0%
<b>GP</b>	<b>5,378</b>	<b>4,956</b>	<b>8.5%</b>	<b>4,717</b>	<b>14.0%</b>
SG&A	(3,545)	(3,578)	-0.9%	(3,536)	0.2%
FX gain (loss)	128	275	-53.6%	222	-42.5%
Other income*	516	715	-27.8%	672	-23.2%
<b>EBIT</b>	<b>2,478</b>	<b>2,368</b>	<b>4.6%</b>	<b>2,075</b>	<b>19.4%</b>
Finance cost	(504)	(547)	-7.9%	(500)	0.8%
<b>EBT</b>	<b>1,974</b>	<b>1,821</b>	<b>8.4%</b>	<b>1,575</b>	<b>25.3%</b>
Tax	(146)	77	-290.1%	(90)	62.5%
<b>Net income</b>	<b>1,310</b>	<b>1,723</b>	<b>-23.9%</b>	<b>1,370</b>	<b>-4.3%</b>
<b>EPS</b>	<b>0.27</b>	<b>0.37</b>	<b>-25.8%</b>	<b>0.29</b>	<b>-4.3%</b>
FX: USD/THB	32.97	33.39	-1.2%	31.92	3.3%
GPM	15.7%	14.2%		14.0%	
%SG&A/Sales	10.4%	10.3%		10.5%	
NPM	3.8%	4.9%		4.1%	

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

\*\*Restated mainly due to cost reclassification

In 3Q18, business operations saw further improvement from 2Q18 as well as from the same quarter last year, as a result of a more stable raw material price environment and a continued pricing recovery. An appreciation of THB against USD by 1.2% YoY has put some pressure on sales when compared to the previous year, but was outweighed by operational improvement. As a result, the company delivered normalized net profit of THB 1,730mn, up 0.4% YoY and 26.5% QoQ.

**Sales**

3Q18 sales declined by 1.9% YoY to THB 34,174mn. Weak sales growth is mainly attributable to a THB appreciation against USD (1.2% YoY) as well as raw material price decline (tuna price -27% YoY and shrimp price -11% YoY). Ambient product price recovery put pressure on volume sales. At constant exchange rates, 3Q18 sales would have slightly declined by 0.8% YoY.

9M18 sales was down 2.9% YoY to THB97,314mn, driven partly by the THB appreciation against USD and declining raw material prices. Excluding the impact of currency, 9M18 sales would have declined by 1.1% YoY.

**Gross profit**

The company reported 3Q18 gross profit of THB 5,378mn, up 8.5% YoY and 14.0% QoQ, mainly due to product repricing, more stable tuna price, and lobster business recovery. 3Q18 gross margin was 15.7%, up 152bps YoY and 179bps QoQ.

9M18 gross profit was at THB 13,468mn, down 7.1% YoY. While we see continued gross profit recovery during 2Q18 and 3Q18, the YTD gross profits still show a decline from a very weak 1Q18 operation.

**Selling and administrative expenses**

With a stringent cost control, 3Q18 SG&A expenses in absolute terms was at THB 3,545mn, down 0.9% YoY from THB 3,578mn in 3Q17. However, due to a weak sales during 3Q18, the SG&A-to-sales ratio was marginally increased to 10.4%, from 10.3% during 3Q17.

9M18 SG&A to sales ratio was at 10.7%, a slight increase from 10.5% in the previous year. The increase in ratio was mainly attributable to a sales decline as a result of foreign exchange volatility.

**FX Gain/Loss**

During 3Q18, the company recorded FX gains of THB 128mn, compared with the gains of THB 275mn a year ago. While 3Q18 FX gains were a result of good foreign exchange management and currency appreciation from end-2Q18, it is a significant shortfall when compared to FX gains during 3Q17.

Due to prudent FX management, the company reported 9M18 FX gains of THB 930mn, up 2.7% YoY.

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

3Q18 other incomes were at THB 516mn, decreased by 27.8% YoY mainly due to the absence of insurance claims from the incidents which occurred in the overseas facility that were recorded during 3Q17. Equity income contribution saw an improvement from a recovering operation of Red Lobster.

9M18 other incomes slightly increased by 1.9% YoY to THB 2,031mn. Interest income received from the Red Lobster investment in convertible preferred units portion remained stable from the same period last year.

**Finance cost**

3Q18 finance cost was down 7.9% YoY to THB 504mn (from THB 547mn during 3Q17). 3Q18 effective interest cost stood at 3.08%, down from 3.29% in 3Q17. 3Q18-end interest bearing debt declined by 3.9% YoY due to a continued debt repayment from the company's strong cash flow.

Remark: Normalized operation excludes one-time accruals related to US legal settlement of THB 1,359mn (2Q18) and asset impairment of potential ESCo divestment of THB 420mn (3Q18)

9M18 finance cost was at THB 1,509mn, down 6.1% YoY. The decline was mainly driven by reduced effective interest rate to 3.04%, from 3.21% during 9M17.

### Income tax expense

3Q18 income tax expense was THB 146mn, from the tax credit of THB 77mn during 3Q17. Tax expenses reverted from tax credit a year ago due to an operational improvement, mainly from ambient seafood businesses. 3Q18 effective tax rate was at 7.4%.

9M18 income tax expenses was at THB224mn, up from THB 164mn paid during 3Q17. The increase in tax payment was mostly due to an improved operational profitability. 9M18 effective tax rate was 4.9%, versus 3.1% in 9M17.

### Net profit

TU reported 3Q18 normalized net profit of THB 1,730mn, up 0.4% YoY and 26.5% QoQ. The improvement was driven mainly by an improved operational outlook from more stable raw material prices and product price recovery. Despite lower FX gains and other incomes recorded and despite the company having recorded tax payment on consolidation, TU still reported a net profit from operation growth YoY. However, excluding one-time asset impairment from the potential divestment of a subsidiary valued THB420mn, the reported profits was THB1,310mn.

9M18 normalized net profit was at THB 3,967mn, down 13.3% YoY, mostly due to the challenging operation environment during 1Q18. 9M18 normalized net profit margin was 4.1%, compared to 4.6% in 9M17. Including the one-time accrual for US litigation and asset impairment charges, 9M18 reported profits would be at THB 2,188mn.

### Financial position analysis:

As of 30 September 2018, TU's total assets were THB 142,421mn, down 2.5% from THB 146,092mn at the end of 2017, mainly due to improved net working capital, notably lower inventory and account receivables. Due to increased sales during 3Q18, TU's 3Q18 inventory days was at 125 days, which showed an improvement from 128 days during 2Q18.

Net inventories fell by 7.4% from 2017-end to THB 39,996mn, partly due to efficient working capital management and a decrease in end-3Q18 average

Skipjack tuna price by 8.3% from end-2017 to USD 1,650/ton, which resulted in declined inventory value.

Trade and other receivables were at THB 15,852mn, down from end-2017 level of THB 16,344mn, due to better collection efficiency.

3Q18-end total non-current assets was at THB 83,360mn, slightly declined from end-2017 at THB 83,521mn. The marginal decrease was mainly caused by asset impairment of the potential subsidiary divestment.

Total current liabilities recorded a significant increase of 21.8% from end-2017 to THB 44,646mn as at end-3Q18. The increase was due to an increasing current portion of debentures from a normal debt repayment schedule. Moreover, accounts payable also slightly increased by 2.4% 3Q18-to-date to THB 20,289mn

Total liabilities decreased by 1.3% (THB 1,227mn) to THB 96,814mn at end-3Q18, due to debt repayment despite higher accounts payable during the quarter.

Total shareholders' equity decreased by 5.1% from end of 2017 to THB 45,607mn, mainly from the interim dividend payment for year 2018.

### Cash Flow analysis:

During 9M18, net cash receipts from operating activities were THB 10,651mn. Positive cash flow was driven mostly by profitable operations (EBITDA: THB 8,228mn) during nine-month of the year due to operation improvement. Moreover, efficient working capital management and lower raw material prices have also eased the pressure on inventory. Despite weak sales, 3Q18 inventory value has declined more than sales compared to the previous year, as a result, net working capital days were at 105 days, down from 110 days during 3Q17.

Net cash payments for investing activities were THB 2,797mn, mainly from the regular capital expenditure during 9M18.

TU recorded net cash payment for financing activities of THB 7,885mn during 9M18, largely from an interim dividend payment and a short-term debt repayment during the period due to a strong operating cash flow generation.

Net decrease in cash and cash equivalents, including exchange losses, was at THB 51mn resulting with the end-3Q18 cash and cash equivalents of THB 764mn (including the impact from the use of Bank Overdraft).

*Remark: Normalized operation excludes one-time accruals related to US legal settlement of THB 1,359mn (2Q18) and asset impairment of potential ESCo divestment of THB 420mn (3Q18)*

# Thai Union Group Public Company Limited

## Management Discussion and Analysis for 3Q18 Results as of 30 September, 2018

### Financial ratio highlights:

	3Q18	3Q17	2Q18
A/R Days	34	40	33
Inventory Days	125	124	128
Current Ratio (x)	1.32	1.67	1.50
ROCE (%)	9.8%	8.6%	7.9%
ROE (%)	12.3%	15.5%	12.5%
ROA (%)	6.9%	6.5%	5.8%
ND/E (x)	1.40	1.37	1.41
IBD/EBITDA (x)	5.03	5.53	5.88
Interest Coverage (x)	4.92	4.33	4.15
BV (Baht/share)	8.90	9.33	9.01

**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

Receivable days as of 3Q18 decreased to 34 days, compared with 40 days in 3Q17. The decline was primarily due to faster collection turnover, as end-3Q18 receivable value declined 12.5%, significantly more than the sales decline.

Inventory days during 3Q18 was similar to the previous year at 125 days, compared to 124 days in 3Q17, the COGS decline rate was similar to the decline rate of inventory value.

The current ratio at end-3Q18 was at 1.32 times versus 1.67 times at end-3Q17, mainly from falling inventory and accounts receivable value.

3Q18 ROCE was at 9.8%, from 8.6% in 3Q17, attributable to higher profitability. Average capital employed as of 3Q18 slightly dropped from 3Q17 level to THB 101,117mn.

Interest bearing debt declined by THB 2,467mn from end-2017 (down 3.7%), and reduced equity from dividend payment to TU shareholders and minority shareholders of subsidiaries of THB 2,444mn, as a result, the reported net debt-to-equity was at 1.40 times. Excluding the one-time accrual for US

legitation, the normalized net debt-to-equity would have been 1.36x.

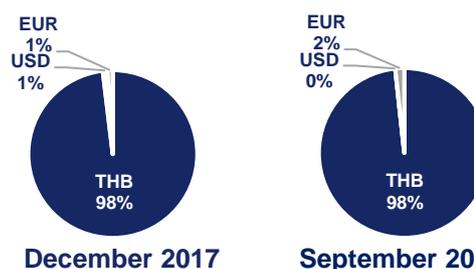
Although relatively high compared to the company's history, the ratio remained well below the debt covenant ratio of 2 times, thus post no near-term risk for our operations.

Amid a challenging operational environment, the company maintains a strong cash flow generation ability, enabling it to repay some debt during the quarter.

3Q18 Interest-bearing debt (IBD) to EBITDA ratio slightly decreased to 5.03 times, from 5.53 times at end-3Q17 caused by EBITDA (+5.6% YoY) increase while IBD saw a decrease of 3.9% YoY.

Interest coverage ratio during 3Q18 was at 4.92 times, up from 4.33 times in 3Q17, mostly driven by a recovery in operating profit.

### Interest-bearing debt profile by currency:



As of end-3Q18, interest-bearing debts were at THB 64,066mn, mainly denominated in the local currency. THB debts accounted for 98%, while EUR debts was 2% of total interest-bearing debt.

### Business overview by business unit:

#### Total sales value

Unit: THB million

3Q17	2Q18	3Q18
34,853	33,803	34,174
13%	13%	13%
41%	38%	38%
46%	48%	49%

-1.9% YoY, +1.1% QoQ

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

Remark: Normalized operation excludes one-time accruals related to US legal settlement of THB 1,359mn (2Q18) and asset impairment of potential ESCo divestment of THB 420mn (3Q18)

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

#### A solid recovery

	3Q17	4Q17	1Q18	2Q18	3Q18
<b>Value</b>	<b>16,090</b>	<b>15,223</b>	<b>14,100</b>	<b>16,363</b>	<b>16,806</b>
Brand	59.0%	52.0%	57.7%	55.8%	56.1%
PL	41.0%	48.0%	42.3%	44.2%	43.9%
<b>Volume</b>	<b>93,807</b>	<b>90,065</b>	<b>83,314</b>	<b>93,855</b>	<b>93,236</b>

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

Remark: PL stands for Private Label business

3Q18 ambient seafood business sales were THB 16,806mn, up 4.4% YoY. While volume sales declined 0.6% YoY, the sales growth was largely attributable to selling price adjustment.

3Q18 Gross profit margin was at 18.9%, up 189bps YoY and 127bps QoQ, driven by:

- More stable tuna prices and continued price recovery which enabled TU to manage COGS more effectively
- Price recovery which has supported branded margin improvement YoY

9M18 ambient seafood business reported sales of THB 47,269mn, up 0.5% YoY, due mainly to product price adjustment.

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

#### Profitability improved QoQ

	3Q17	4Q17	1Q18	2Q18	3Q18
<b>Value</b>	<b>14,183</b>	<b>14,967</b>	<b>11,157</b>	<b>12,990</b>	<b>13,037</b>
Brand	34.3%	34.8%	34.0%	35.0%	36.1%
PL	65.7%	65.2%	66.0%	65.0%	63.9%
<b>Volume</b>	<b>65,725</b>	<b>62,564</b>	<b>53,201</b>	<b>62,253</b>	<b>63,443</b>

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

3Q18 frozen and chilled seafood business sales were at THB 13,037mn, down 8.1% YoY, driven mainly by falling shrimp price (-11% YoY) and THB appreciation against USD (-1.2% YoY). Volume sales also declined by 3.5% YoY.

Gross profit margin was at 10.1%, down 12bps YoY but up 162bps QoQ. Weakness was driven by an intense competition.

European salmon business has recovered from 2Q18 from recent weakness in salmon prices (-16.5% QoQ).

9M18 frozen and chilled seafood reported sales volume stable from the previous year, despite declined sales mainly from falling shrimp prices.

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

#### Value-added business margin recovers

	3Q17	4Q17	1Q18	2Q18	3Q18
<b>Value</b>	<b>4,580</b>	<b>4,548</b>	<b>4,080</b>	<b>4,450</b>	<b>4,331</b>
Brand	9.1%	8.1%	8.5%	8.7%	9.4%
PL	90.9%	91.9%	91.5%	91.3%	90.6%
<b>Volume</b>	<b>38,454</b>	<b>39,862</b>	<b>37,638</b>	<b>37,843</b>	<b>39,596</b>

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

3Q18 PetCare and value-added segment sales were at THB 4,331mn, down 5.4% YoY, with sales from the value-added business declining as a result of the reclassification of some ready-to-eat tuna products.

PetCare sales was stable YoY.

Gross margin has improved to 21%, mainly driven by price recovery and favorable raw material price in the value added businesses.

Remark:

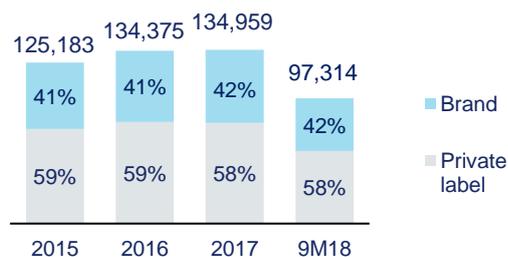
<sup>1</sup> Ambient seafood business includes entire tuna, entire sardine & mackerel and ambient & pouch salmon businesses

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

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

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

Unit: THB million



9M18 branded sales mix was at 41.9% (compared to 42.0% during 2017) leaving private label sales contributing remaining 58.1% of 9M18 sales. 9M18 total branded sales decreased 5.4% YoY, mainly due to USD depreciation resulted in weaker sales contribution from US branded sales

Private label sales report 0.9% YoY declined due mainly to falling tuna raw material price.

Remark: Normalized operation excludes one-time accruals related to US legal settlement of THB 1,359mn (2Q18) and asset impairment of potential ESCo divestment of THB 420mn (3Q18)

# Thai Union Group Public Company Limited

## Management Discussion and Analysis for 3Q18 Results as of 30 September, 2018

### Business overview by region:

THB Mn	2015	2016	2017	9M18
<b>Total sales</b>	<b>125,183</b>	<b>134,375</b>	<b>136,535</b>	<b>97,314</b>
<b>USA</b>	<b>42.2%</b>	<b>39.4%</b>	<b>37.9%</b>	<b>37.2%</b>
<b>Europe</b>	<b>29.4%</b>	<b>32.5%</b>	<b>31.6%</b>	<b>31.3%</b>
<b>Japan</b>	<b>6.3%</b>	<b>6.4%</b>	<b>6.2%</b>	<b>5.9%</b>
<b>Domestic</b>	<b>8.0%</b>	<b>8.3%</b>	<b>9.5%</b>	<b>10.3%</b>
<b>Others</b>	<b>14.1%</b>	<b>13.4%</b>	<b>14.8%</b>	<b>15.3%</b>

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

9M18 Sales contribution in key markets marginally shifted in favor of domestic Thai market, due partly to a focus on selling product in domestic market to offset weaker export sales as a result of intense competition and unfavorable currency shift. TU continues to grow its new product initiatives into the Thai market.

US market sales contribution was at 37% of total sales, European market at 31%, Japan at 6%, and domestic sales at 10%.

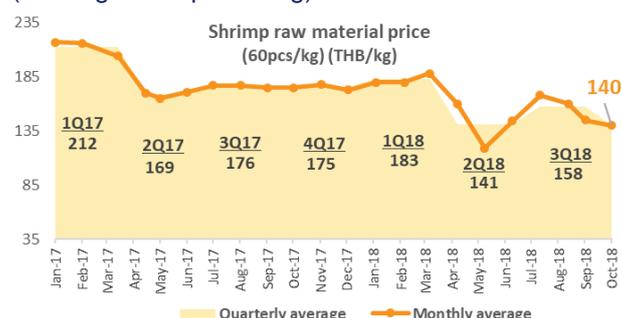
### Key operating factors: Raw material prices setback in 3Q18

#### Skipjack tuna raw material price (USD/ton)



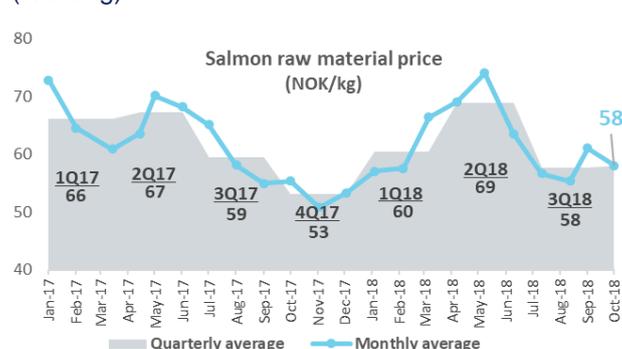
Tuna price closed at USD 1,525/ton in October 2018. In 3Q18 average price was USD 1,467/ton (-27.0% YoY, -12.0% QoQ).

#### White shrimp raw material price (THB/kg. of 60 pieces/kg)



Shrimp price closed at THB 140/kg in October 2018. In 3Q18 average price was THB 158/kg (-11.0% YoY, +12.0% QoQ)

#### Salmon raw material price (NOK/kg)



Salmon price was at NOK 58/kg in October 2018. In 3Q18, average price was NOK 58/kg (-3.1% YoY, -16.5% QoQ)

#### Exchange rate USD/THB



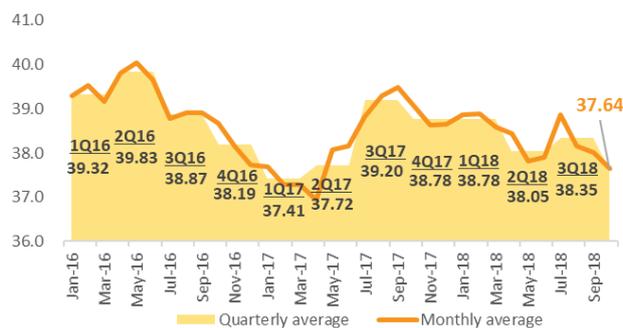
USD/THB closed at 32.77 in October 2018. In 3Q18, average USD/THB was at 32.97 (-1.2% YoY, +3.3% QoQ).

Remark: Normalized operation excludes one-time accruals related to US legal settlement of THB 1,359mn (2Q18) and asset impairment of potential ESCo divestment of THB 420mn (3Q18)

# Thai Union Group Public Company Limited

## Management Discussion and Analysis for 3Q18 Results as of 30 September, 2018

### EUR/THB



EUR/THB closed at 37.64 in October 2018. In 3Q18, average EUR/THB was at 38.35 (-2.2% YoY, +0.8% QoQ).

### GBP/THB



GBP/THB closed at 42.64 in October 2018. In 3Q18, average GBP/THB was at 42.99 (-1.6% YoY, -1.0% QoQ).

## Key developments

### Investment and Corporate Action

- November 2018:** Thai Union has continued efforts to expand its business portfolio by introducing Thammachart Seafood's premium seafood F&B store, The Lobster Lab, at Alibaba's retail supermarket Hema, in Shanghai, China. The Lobster Lab China will be fully operating in mid-November as a take-out and sit-down restaurant concept serving fresh lobsters from United States and Canada.

### Operations

- September 2018:** Thai Union's subsidiary, Européenne de la Mer, announced its intention to divest its loss-making chilled salmon business in

Scotland, The Edinburgh Salmon Company Ltd ("ESCo"). The Company will actively pursue and explore all viable divestment opportunities in an attempt to avoid, reduce, and/or mitigate the potential impacts upon its valued employees. The subsidiary which comprises this segment is reported in the financial statements as a discontinuing operation. Thai Union has begun to actively locate a buyer, and expects to dispose all relating assets in the next 12 months.

## Awards and recognitions

- September 2018:** Thai Union was among the top 16 most recognized companies out of 96 from 2,382 votes for publicly listed companies across 12 Asian markets in *Asiamoney Asia's Outstanding Companies Poll 2018* under the following categories:
  - Overall Most Outstanding Company in Thailand
  - Most Outstanding Company in Thailand, Consumer Staples Sector
- October 2018:** Thai Union was shortlisted as a finalist for the *IR Magazine Awards – South East Asia 2018* in the following categories:
  - Most progress in Investor Relations
  - Best in sector: Consumer Staples
  - Best in country: Thailand
  - Best investor event

## Sustainability/Environmental, Social, and Governance (ESG)

- September 2018:** Thai Union has been included in the Dow Jones Sustainability Index (DJSI) Emerging Markets for the fifth year in a row.
- October 2018:** Thomson Reuters Foundation announced that Thai Union was shortlisted as one of 6 companies for its annual *Stop Slavery Award*, the first global recognition for businesses which sets a gold standard in efforts to eradicate forced labor from supply chains.
- October 2018:** Thai Union's Global Director for Sustainable Development, Dr. Darian McBain, was honored as 2018 Business Leader of the Year at *Ethical Corporation's Responsible Business Awards* held recently.
- November 2018:** Thai Institute of Directors (IOD) ranked Thai Union as Excellent Corporate Governance Scoring (5-Star) in its annual Corporate Governance Report of Thai Listed Companies 2018 (CGR 2018).

Remark: Normalized operation excludes one-time accruals related to US legal settlement of THB 1,359mn (2Q18) and asset impairment of potential ESCo divestment of THB 420mn (3Q18)

# Thai Union Group Public Company Limited

## Management Discussion and Analysis for 3Q18 Results as of 30 September, 2018

### Statement of Income\*\*

(Unit: THB mn)	Consolidated							
	3Q18	% to sales	3Q17**	% to sales	2Q18	% to sales	3Q18/3Q17 Change	3Q18/2Q18 Change
Sales	34,174	100%	34,852	100%	33,803	100%	-1.9%	1.1%
Cost of sales	(28,795)	-84.3%	(29,896)	-85.8%	(29,086)	-86.0%	-3.7%	-1.0%
<b>Gross profit</b>	<b>5,378</b>	<b>15.7%</b>	<b>4,956</b>	<b>14.2%</b>	<b>4,717</b>	<b>14.0%</b>	<b>8.5%</b>	<b>14.0%</b>
SG&A expenses	(3,545)	-10.4%	(3,578)	-10.3%	(3,536)	-10.5%	-0.9%	0.2%
FX gain (loss)	128	0.4%	275	0.8%	222	0.7%	-53.6%	-42.5%
Other income*	516	1.5%	715	2.1%	672	2.0%	-27.8%	-23.2%
<b>EBIT</b>	<b>2,478</b>	<b>7.2%</b>	<b>2,368</b>	<b>6.8%</b>	<b>2,075</b>	<b>6.1%</b>	<b>4.6%</b>	<b>19.4%</b>
Finance cost	(504)	-1.5%	(547)	-1.6%	(500)	-1.5%	-7.9%	0.8%
<b>EBT</b>	<b>1,974</b>	<b>5.8%</b>	<b>1,821</b>	<b>5.2%</b>	<b>1,575</b>	<b>4.7%</b>	<b>8.4%</b>	<b>25.3%</b>
Tax	(146)	-0.4%	77	0.2%	(90)	-0.3%	-290.1%	62.5%
Profit (Loss) from discontinued operation	(451)	-1.3%	(51)	-0.1%	(05)	0.0%	780.3%	8913.2%
<b>Net income</b>	<b>1,377</b>	<b>4.0%</b>	<b>1,847</b>	<b>5.3%</b>	<b>1,485</b>	<b>4.4%</b>	<b>-25.4%</b>	<b>-7.3%</b>
<b>Net income (loss) attributable to:</b>								
<b>Equity holders of the Company</b>	<b>1,310</b>	<b>3.8%</b>	<b>1,723</b>	<b>4.9%</b>	<b>1,370</b>	<b>4.1%</b>	<b>-23.9%</b>	<b>-4.3%</b>
Non-controlling interests of the subsidiaries	66	0.2%	124	0.4%	115	0.3%	-46.5%	-42.2%
<b>Earnings per share</b>								
Basic earnings per share	0.27		0.37		0.29		-25.8%	-4.3%
Diluted earnings per share	0.27		0.37		0.29		-25.8%	-4.3%
<b>Exchange rate</b>								
THB/USD	32.97		33.39		31.92		-1.2%	3.3%

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

\*\*Retated according to financial statement reported as of September 2018

### Statement of Financial Position

(Unit: THB mn)	9M18	% to total assets	2017	% to total assets	Change
Cash and cash equivalents*	764	0.5%	815	0.6%	-6.2%
Trade and other receivables - net	15,852	11.1%	16,344	11.2%	-3.0%
Inventories - net	39,996	28.1%	43,184	29.6%	-7.4%
Other current assets	2,449	1.7%	2,174	1.5%	12.6%
<b>Total current assets</b>	<b>59,061</b>	<b>41.5%</b>	<b>62,581</b>	<b>42.8%</b>	<b>-5.6%</b>
Fixed assets	26,166	18.4%	25,261	17.3%	3.6%
Goodwill and other intangible assets	29,751	20.9%	30,851	21.1%	-3.6%
Other non-current assets	27,443	19.3%	27,398	18.8%	0.2%
<b>Total Assets</b>	<b>142,421</b>	<b>100%</b>	<b>146,092</b>	<b>100%</b>	<b>-2.5%</b>
Bank overdrafts and short-term loans	13,748	9.7%	15,365	10.5%	-10.5%
Trade and other payables	20,289	14.2%	19,823	13.6%	2.4%
Current portion of long-term loans	149	0.1%	849	0.6%	-82.4%
Current portion of debentures	9,148	6.4%	0	0.0%	-
Current portion of finance lease liabilities	43	0.0%	47	0.0%	-9.5%
Other current liabilities	1,269	0.9%	573	0.4%	121.3%
<b>Total current liabilities</b>	<b>44,646</b>	<b>31.3%</b>	<b>36,657</b>	<b>25.1%</b>	<b>21.8%</b>
Long-term loans from financial institutions	14,613	10.3%	14,712	10.1%	-0.7%
Debentures	27,009	19.0%	36,169	24.8%	-25.3%
Finance lease liabilities - net of current portion	120	0.1%	155	0.1%	-22.7%
Other non-current liabilities	10,426	7.3%	10,348	7.1%	0.8%
<b>Total Liabilities</b>	<b>96,814</b>	<b>68.0%</b>	<b>98,040</b>	<b>67.1%</b>	<b>-1.3%</b>
Non-controlling interests of the subsidiaries	3,137	2.2%	3,768	2.6%	-16.7%
<b>Total Shareholders' Equity</b>	<b>45,607</b>	<b>32.0%</b>	<b>48,051</b>	<b>32.9%</b>	<b>-5.1%</b>
<b>Total liabilities and shareholders' equity</b>	<b>142,421</b>	<b>100%</b>	<b>146,092</b>	<b>100%</b>	<b>-2.5%</b>

\*Including short term investment

Remark: Normalized operation excludes one-time accruals related to US legal settlement of THB 1,359mn (2Q18)

# Thai Union Group Public Company Limited

## Management Discussion and Analysis for 3Q18 Results as of 30 September, 2018

### Cash flow statement

(Unit: THB mn)	Consolidated		
	9M18	9M17	Change
<b>Profit before income tax</b>	<b>2,542</b>	<b>5,042</b>	<b>(2,501)</b>
Adjustments for depreciation & amortisation expenses	2,181	2,038	143
Other adjustments	2,103	913	1,190
Changes in operating assets and liabilities	4,147	(1,804)	5,951
Cash flows receipts from operating activities	10,972	4,705	6,268
<b>Net cash receipts (payments) from operating activities</b>	<b>10,651</b>	<b>5,492</b>	<b>5,159</b>
<b>Net cash payments for investing activities</b>	<b>(2,797)</b>	<b>(2,565)</b>	<b>(232)</b>
<b>Net cash receipts (payments) for financing activities</b>	<b>(7,885)</b>	<b>(2,815)</b>	<b>(5,070)</b>
Net increase (decrease) in cash and cash equivalent	(32)	112	(143)
Cash and cash equivalents - opening balance	573	731	(158)
Exchange gain (loss) on cash and cash equivalents	(12)	14	(26)
<b>Cash and cash equivalents - closing balance</b>	<b>529</b>	<b>857</b>	<b>(328)</b>
<b>CAPEX</b>	<b>(3,723)</b>	<b>(3,877)</b>	<b>153</b>
Management Est. Free Cash Flows*	7,349	3,081	4,268

\*Figures as reported in September 2018