

4. Management Discussion and Analysis

4.1 Changes in accounting policies

There were no changes in accounting policies during 2024.

4.2 Financial Position and operating performance analysis for the Year Ended December 31, 2024.

Charoen Pokphand Foods Public Company Limited operate a fully integrated agro-industrial and food business , including animal feed production, animal breeding, livestock farming, primary processing, food and ready-to-eat production. The Company also operates restaurant businesses, the company focuses on key livestock categories such as swine, broiler, shrimp, and layer.

The Company operates under the vision of "Kitchen of the World." with operations and investment in 17 countries, the Company distributes meat and food products to over 50 countries, aiming to ensure global food security for consumers. The Company emphasizes operations that maintain a balance between financial prosperity and creating shared value with all stakeholders. This includes the responsible use of resources, guided by the philosophy of Sufficiency Economy and the Three-Benefit Principle for Sustainability of the Charoen Pokphand Group, which aims to create value for the nation, the people, and the company. Built upon good corporate governance, the Company prioritizes food safety in its production process, ensuring consumers have access to quality, nutritious food through responsible marketing. It embraces the concept of "Sustainovation" a fusion of technology and sustainable business growth to enhance efficiency and reduce environmental impact, aligning with its key mission of achieving Net-Zero greenhouse gas emissions by 2050.

The Company has confidence in the growth potential and development of the modern agriculture and food industry across various countries worldwide, as well as the long-term increase in consumer demand. As a result, operations have been expanded into international markets by leveraging expertise in integrated agribusiness, technology and scientific disciplines into business processes. Investments in various countries are aimed at strengthening food security.

Key milestones

- In February 2024, deregistered CPF Construction LLC, a Russia-registered company providing construction consulting services. The company had ceased its operations since 2022.
- In February 2024, deregistered Westbridge Holding B.V., an investment company registered in the Netherlands, along with seven of its subsidiaries. The company had ceased its operations since July 2023.
- In February 2024, CPF Poland S.A., which operates in the agro-industrial and food business in Poland, undertook a capital increase through a share offering. The Company chose not to participate in the capital increase, resulting in a reduction of its shareholding from 66.67% to 49.45%.
- In April 2024, established a new subsidiary named RBPI (Thailand) Co., Ltd. Which engages in investment and consulting services and is registered in Thailand with a registered capital of 1 million baht. CPF holds a 99.91% ownership stake in the subsidiary.
- In September 2024, the Company deregistered Yipeng, LLC, a U.S.-based food business, due to performance falling short of expectations. The decision was influenced by several factors, including the impact of COVID-19, economic conditions, rising raw material costs, and increased labor expenses.

- In October 2024, the Company acquired 65% of the issued and paid-up common shares of Newburgh Foods Limited (Newburgh), a food processing and distribution business in the United Kingdom, aims to expand distribution channels for processed chicken products into leading retail and quick-service restaurant (QSR).
- In November 2024, the Company deregistered Berice LLC, an investment company registered in the United States, as there were no further plans to continue operations under this entity.
- In December 2024, the Company deregistered RBPI AS, registered in Norway for investment purposes, as there were no further plans to continue operations under this entity.

4.2.1 Performance

The following financial performance analysis is the analysis of financial information in accordance with the Company's consolidated financial statements of the year ended December 31, 2024

4.2.2 Performance Analysis

Overview of operating performance for the years 2023 and 2024

Unit : THB Thousand	2023	2024	Change
Revenue from sale of goods	585,844,121	580,747,250	(5,096,871)
Gross profit	56,706,306	85,043,041	28,336,735
Gross profit margin	9.7%	14.6%	4.9%
Distribution and administrative expenses	(51,380,744)	(50,434,295)	946,449
Gains on changes in fair value of biological assets	724,149	2,362,457	1,638,308
Finance cost	(25,506,493)	(24,575,027)	931,466
Income tax expense	(600,302)	(5,672,645)	(5,072,343)
Share of profit of associates and joint ventures	4,590,349	12,698,902	8,108,553
Gains on sale of investments and dividend income	7,890,922	192,494	(7,698,428)
Gains on changes in fair value of investment properties	0	162,855	162,855
Profit (loss) for the year attributable to equity holders of the Company	(5,207,348)	19,558,133	24,765,481
Net profit (loss) margin for the Company	(0.9%)	3.4%	4.3%

Performance by business for the year ended December 31, 2023 and 2024

	2023		2024		Change
	THB Thousand	%	THB Thousand	%	
1. Thailand Operation	221,254,606	38%	217,316,364	37%	-2%
1.1 Domestic	186,359,829	32%	183,185,987	31%	-2%
Feed	51,836,396	9%	45,631,265	8%	
Farm and processing	104,079,481	18%	105,561,314	18%	
Food	30,443,952	5%	31,993,408	5%	
1.2 Export	34,894,777	6%	34,130,377	6%	-2%
Feed	126,331	0%	118,919	0%	
Farm and processing	8,567,539	1%	7,885,850	1%	
Food	26,200,907	5%	26,125,608	5%	
2. Overseas operations	364,589,515	62%	363,430,886	63%	0%
2.1 Vietnam	116,053,412	20%	122,032,879	21%	5%
Feed	33,677,747	6%	30,186,516	5%	
Farm and processing	74,562,129	13%	83,379,064	14%	
Food	7,813,536	1%	8,467,299	2%	
2.2 China	45,255,667	8%	36,240,258	6%	-20%
Feed	5,706,633	1%	9,706,290	1%	
Farm and processing	25,888,372	5%	15,819,420	3%	
Food	13,660,662	2%	10,714,548	2%	
2.3 Other countries	203,280,436	34%	205,157,749	36%	1%
Feed	45,653,959	7%	45,720,998	8%	
Farm and processing	105,004,743	18%	107,594,755	19%	
Food	52,621,734	9%	51,841,996	9%	
Total sales Revenue	585,844,121	100%	580,747,250	100%	-1%
Other Revenue	13,844,596		5,592,441		
Total revenue	599,688,717		586,339,691		-2%

- Thailand operation

For the year ended December 31, 2024, Thailand operations had sales revenue of THB 217,316 million (accounted for 37% of total sales revenue), a decrease of 2% from 2023. The decline was primarily driven by a reduction in feed selling prices, in line with lower raw material costs. However, revenue from the farm and processing business as well as the food business increased, driven by higher sales volumes of swine and food products.

- Overseas operation

For the year ended December 31, 2024, international operations had sales revenue of THB 363,431 million (accounted for 63% of total sales revenue), remaining steady from the previous year. Revenue growth in several countries was supported by higher product prices compared to 2023 and improved supply-demand balance, following the oversupply situation in 2023, particularly in Vietnam, Cambodia, and the Philippines. However, business restructuring in 2023 and 2024 affected revenue, including the partial divestment of the integrated

poultry business in China at the end of 2023 and the deconsolidation of sales from operation in Poland since first quarter of 2024, which changed its status from a subsidiary to an associate, resulting in a decline in revenue from these adjustments.

Gross profit

For the year ended December 31, 2024 was at THB 85,043 million, a increase of 50% from 2023 (The gross profit margin for 2023 and 2024 was 10% and 15%, respectively). The key drivers included higher swine prices in several countries due to a more balanced market supply and stronger consumer demand, following the oversupply situation in 2023. Additionally, the impact of swine disease outbreaks in some countries in late of 2024, which reduced market supply. On the cost side, cost of animal farming declined due to improved production efficiency and better supply chain management for raw materials.

Changes in the fair value of biological assets

For the year ended December 31, 2024 saw a gain of THB 2,362 million, mainly due to changes in the fair value of swine in Vietnam.

Finance costs

For the year ended December 31, 2024 were THB 24,575 million, a decrease of 4% from 2023, mainly due to the reduction in interest-bearing debt.

Share of profit from associates and joint ventures

For the year ended December 31, 2024 was THB 12,699 million, an increase of 177% from 2023, mainly driven by the improved performance of an associate in China involved in animal feed and swine operations, supported by higher swine prices compared to the previous year as the oversupply situation eased, along with improved financial performance from CP ALL Public Company Limited and an associates in Canada.

Net profit attributable to the Company

For the year ended December 31, 2024, net profit attributable to the Company was THB 19,558 million, representing a 476% increase from the previous year, in line with the aforementioned factors.

4.3 Financial Status

(1) Assets

As of December 31, 2023, the Company's total assets amounted to THB 876,724 million, consisting of current assets of THB 200,060 million, property, plant and equipment of THB 255,585 million, long-term investments of THB 281,607 million, goodwill of THB 58,028 million, and others THB 81,444 million.

Total assets decreased from the end of 2023 by THB 10,494 million or 1% decrease due to following reasons:

- A decrease in inventories by THB 4,737 million, mainly due to lower stock of animal feed raw materials
- A decrease in property, plant and equipment by THB 9,559 million, mainly due to asset depreciation and the impact of foreign currency translation, while investments in property, plant, and equipment declined comparing to previous year.

(2) Liabilities and Shareholders' Equity

As of December 31, 2024, the Company's total liabilities amounted to THB 583,500 million, consisting of trade and other payables of THB 34,840 million, interest-bearing liabilities (excluding lease liabilities) of THB 458,251 million, lease liabilities of THB 36,646 million and others in the amount of THB 53,763 million.

Total liabilities decreased from the end of 2023 by THB 18,684 million, or 3% decrease due to Interest-bearing liabilities (excluding lease liabilities) decreased by THB 21,497 million, primarily due to the repayment of bank loans and debentures. As of December 31, 2024, shareholders' equity amounted to THB 293,224 million, a increase of THB 8,190 million from the end of 2023, or 3% increase, mainly from operating profits and an increase in revaluation of asset.

(3) Asset Management

As of December 31, 2024 the Company had account receivable-trade and others of THB 40,674 million, with an allowance for expected losses of THB 1,385 million, accounted for 3.3% of account receivables-trade and others. The management has established a control policy to consider credit risk regularly by analyzing the financial position of every customer requesting a credit limit and considering other factors that may affect the customer's credit risk. This includes the risk of default associated with the industry and the country in which the customer operates.

As of December 31, 2024, the Company had inventories of THB 64,771 million, consisting of raw materials of THB 30,345 million, finished goods of THB 19,386 million, and others of THB 15,040 million. The Company has an allowance for reduction in product value of THB 578 million, accounted for 0.9% of total inventories.

(4) Liquidity and capital adequacy

As of December 31, 2024, the Company had an increase in cash flow of THB 358 million, with cash and cash equivalents at the end of the period amounted to THB 24,032 million, an increase of 1.5% from the end of the same period in 2023, with cash flow in each activity as follows:

- Cash flow from operations amounted to THB 65,140 million from earnings before interest, taxes, depreciation and amortization (EBITDA)
- Cash flow spent on investments amounted to THB 14,193 million, mostly from investments in property, plant and equipment
- Cash flow spent on financing activities amounted to THB 50,289 million, mainly from repayment of bank loans, debentures and interest payments

As of December 31, 2024, interest-bearing debt (excluding lease liabilities) consisted of loans from financial institutions and bills of exchange in the amount of THB 260,755 million, debentures in the amount of THB 194,882 million, and others in the amount of THB 2,614 million. Long-term loans and debentures due within 1 year equal to THB 65,146 million.

As of December 31, 2024, the Net Debt to Equity Ratio calculated according to the criteria specified in the terms and conditions of debenture issuer and debenture holder of all debentures that have not yet been redeemed is as follows:

(unit: times)	Net Debt to Equity Ratio	
	Consolidated financial statements	Separate financial statements
Debentures issued before CPF debenture No. 2/2018 ^{1/}	1.41	0.87
CPF debenture No. 2/2015 and CPF debenture No. 2/2018 ^{2/}	1.42	N/A
CPF debenture No. 1/2020 and after CPF debenture No. 1/2020 ^{4/3/}	1.41	N/A

As of December 31, 2024, the total debt to equity ratio was 1.99 times, a decrease from the end of 2023 with a ratio of 2.11 times, while the ability to repay increased. The interest-bearing debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio as of December 31, 2024 was 6.32 times, an increase from the end of 2023 with a ratio of 10.58 as a result of a increase in performance in 2024. The debt service coverage ratio as of December 31, 2024 was at 0.39 times, an increased from the end of 2023 which was at 0.25 times, due to improved performance in 2024.

In addition, the Company's current liquidity ratio according to the consolidated financial statements is 0.76 times, a decrease from the end of 2023, which was 0.81 times, due to a decrease in current assets from cash and cash equivalents, with a cash cycle of 50 days, lower than the previous year, which was at 51 days.

The Company has sufficient liquidity for operations, ability to repay and compliance with loan conditions.

4.6 Events after the reported period

On 16 January 2025, CPF offered the subscription of debentures No. 1/2025, unsubordinated and unsecured with debenture holder representative, for THB16,500 million. The debentures have a maturity period from 5 to 10 years, with a fixed interest rate between 3.48% and 3.80% per year.

On 21 February 2025, CPF (Thailand) Public Company Limited, a subsidiary in which the Company holds a 99.99% stake, offered the subscription of debentures No. 1/2025, unsubordinated and unsecured with debenture holder representative, for THB11,500 million. The debentures have a maturity period from 4 to 10 years, with a fixed interest rate between 3.18% and 3.88% per year.

^{1/} Net debt to equity ratio not exceed 2.00:1.00 for consolidated financial statements and not exceed 1.15:1.00 for separate financial statements. The ratio is calculated based on the information provided in the financial statements for the accounting periods ended on June 30 and December 31 of each accounting period that the auditor has reviewed or audited, as the case may be. For the purposes of this calculation, net debt = total interest-bearing liabilities from financial institutions, bills of exchange, and debentures only excluded liabilities under financial lease agreements - cash and cash equivalents and current investments

^{2/} Net debt to equity ratio not exceed 2.00:1.00 for consolidated financial statements. The calculation is based on the information contained in the consolidated financial statements for the accounting period ending on December 31 of each accounting period that the auditor has audited. For the purposes of this calculation, net debt = total interest-bearing liabilities excluded liabilities under financial lease agreements - cash and cash equivalents and current investments

^{3/} Excluded perpetual subordinated bond

^{4/} Net debt to equity ratio not exceed 2.00:1.00 for consolidated financial statements. The calculation is based on the information contained in the consolidated financial statements for the accounting period ending on December 31 of each accounting period that the auditor has audited. For the purposes of this calculation, net debt = total interest-bearing liabilities from financial institutions, bills of exchange, and debentures only excluded liabilities under financial lease agreements - cash and cash equivalents and current investments

4.7 Factors affecting future performance

Regarding the performance trend in 2024, the Company still expects economic, along with risks from multiple factors, including geopolitical conflicts, international trade policies, inflationary pressures, and U.S. trade and tax policies. Additionally, consumer purchasing power in several countries remains uncertain, as the global economy remains in a gradual recovery phase. The industry also faces challenges, such as animal disease outbreaks, volatility in raw material prices for animal feed production, and imbalances between meat production and consumption in different regions. However, the Company has adjusted its operational strategies to align with the evolving landscape and is closely monitoring key risk factors to ensure effective and timely responses to potential challenges.

Although the Company has systematic measures to manage risks that affect the Company's operations, according to the guidelines specified in Section 1 Business Operations and Performance, Topic 2. Risk Management, to be at an acceptable level, it is still possible that the implementation of established risk management measures may not be effective enough to mitigate risk to an acceptable level, resulted in performance not meeting the expectation, due to uncontrollable external factors, such as outbreaks of newly emerging diseases or economic problems on the macro level.

4.8 Sustainability Development

The Company places a great deal of importance on sustainable development. In 2024, the Company identified 7 key areas of sustainability: 1. Food security, 2. Human rights and labor practices, 3. Employees and communities, 4. Water management, 5. Climate change management, 6. Biodiversity and ecosystems, and 7. Corporate governance principle, risk management, and compliance. The 7 sustainability issues cover the 3 fundamental elements of sustainable development (economic, environmental, and social) which are essential components for sustainability development. The Company has therefore implemented various activities, guided by its sustainability guidelines which include:

Economic

The Company gives priority to economic development. This includes good corporate governance, business conducting, transparent disclosure and risk management covering all activities. In addition, the Company has a mission to establish food security (Food Security), use technology and innovation in food production (Innovation), including producing food safety, create access to food through product distribution and prices.

Details of the development of corporate governance can be found in Section 8 Major Implementations of Corporate Governance.

Environment

The Company conducts business with consideration to environmental impacts and implements projects to restore biodiversity inside and outside the workplace. The Company has undertaken numerous environmental activities, including a water management strategy to increase the efficiency of water use within the organization, setting corporate net-zero emissions targets, and responsible sourcing operations by bringing raw materials from areas without deforestation. Details of various environmental development activities can be found in Section 3 Driving Business towards Sustainability and the Sustainability Report 2024.

Social

The Company places great importance on social development, particularly in the field of human rights, labor practices and human resource management, including the development and support of the community. Details of various development actions can be found in Section 3 Driving Business towards Sustainability and the Sustainability Report 2024.