

Management's Discussion and Analysis

Highlights of the Consolidated Financial Statements and Key Financial Ratio

Consolidated balance sheet of CPF and its subsidiaries as of 31 December 2007, 2008 and 2009

	As of 31 December					
	2007		2008		2009	
	THB, million	%	THB, million	%	THB, million	%
Cash and cash equivalents	3,080	3	3,453	3	10,522	9
Accounts receivable – trade and others	13,560	13	14,115	13	14,361	12
Inventories	27,112	27	27,888	26	26,284	23
Other current assets	1,519	1	1,804	2	2,267	2
Total current assets	45,271	44	47,260	44	53,434	46
Long term investments	8,433	8	10,268	9	11,946	11
Property, plant and equipment	44,234	43	44,706	42	46,422	40
Other non-current assets	4,608	5	5,276	5	3,896	3
Total non-current assets	57,275	56	60,250	56	62,264	54
TOTAL ASSETS	102,546	100	107,510	100	115,698	100
Overdrafts and short-term borrowings						
from financial institutions	20,445	20	20,962	20	9,745	8
Notes payable	4,026	4	2,673	2	-	-
Accounts payable - trade and others	7,967	8	7,607	7	9,106	8
Current portion of long-term debts	2,664	2	5,483	5	6,294	5
Other current liabilities	2,835	3	3,184	3	4,492	4
Total current liabilities	37,937	37	39,909	37	29,637	25
Long-term debts	17,143	17	18,365	17	26,758	23
Other non-current liabilities	3,251	3	3,685	4	4,324	4
Total non-current liabilities	20,394	20	20,050	21	31,082	27
TOTAL LIABILITIES	58,331	57	61,959	58	60,719	52
SHAREHOLDERS' EQUITY	44,215	43	45,551	42	54,979	48

Consolidated balance sheet of CPF and its subsidiaries as of 31 December 2007, 2008 and 2009

	2007		2008		2009	
	THB, million	%	THB, million	%	THB, million	%
Revenue from sale of goods	134,809	99	156,238	99	165,063	99
Other income	1,893	1	1,547	1	2,237	1
TOTAL REVENUES	136,702	100	157,785	100	167,300	100
Cost of sale of goods	117,936	86	135,738	86	135,871	81
Selling and administrative expenses	15,852	12	16,489	11	17,558	11
Others	38	-	509	-	584	-
TOTAL EXPENSES	133,826	98	152,736	97	154,013	92
Share of profit of associates	948	1	1,162	1	1,591	1
Profit before finance costs and						
income tax expense	3,824	3	6,211	4	14,878	9
Finance costs	2,347	2	2,769	2	1,949	1
Income tax expense	49	-	218	-	2,539	2
Profit after income tax expense	1,428	1	3,224	2	10,390	6
Net attributable to minority interests	(153)	-	(96)	-	(200)	-
NET PROFIT	1,275	1	3,128	2	10,190	6

Consolidated balance sheet of CPF and its subsidiaries as of 31 December 2007, 2008 and 2009

(Unit : THB, million)

	2007	2008	2009
Net cash provided by operating activities	5,801	6,449	22,340
Net cash used in investing activities	(5,767)	(4,816)	(4,917)
Net cash provided by (used in) financing activities	1,660	(1,277)	(10,143)
Net increase (decrease) in cash and			
cash equivalents	1,694	356	7,280
Cash and cash equivalents at the beginning			
of the year	1,167	2,906	3,390
Effect of exchange rate changes on			
the balances held in foreign currencies	45	128	(154)
Cash and cash equivalents at end of year	2,906	3,390	10,516

Key financial ratios of the consolidated financial statements of CPF and its subsidiaries

	2007	2008	2009
Liquidity ratios			
Current ratio ¹ (times)	1.19	1.18	1.80
Quick ratio ² (times)	0.44	0.44	0.84
Cash flow liquidity ratio ³ (times)	0.16	0.17	0.64
Accounts receivable turnover ⁴ (times)	9.97	11.01	11.30
Collection period ⁵ (Days)	36	33	32
Inventory turnover ratio ⁶ (times)	18.54	24.42	24.85
Inventory turnover ⁷ (Days)	19	15	14
Accounts payable turnover ⁸ (times)	15.88	17.43	16.26
Payable period ⁹ (Days)	23	21	22
Cash Cycle ¹⁰ (Days)	32	27	24
Profitability ratios			
Gross profit margin ¹¹ (%)	12.52	13.12	17.69
Operating profit margin ¹² (%)	2.84	3.78	9.01
Net profit margin ¹³ (%)	0.93	1.97	6.03
Return on Equity ¹⁴ (%)	2.93	6.97	20.27
Operating efficiency ratios			
Return on fixed assets ¹⁵ (%)	13.03	17.16	32.40
Asset turnover ¹⁶ (times)	1.39	1.51	1.51

Note:

¹ Current ratio = Total current assets / Total current liabilities

² Quick ratio = (Cash and cash equivalents + Short term investment + Accounts receivable - trade and others) / Total current liabilities

³ Cash flow liquidity ratio = Net cash provided by operating activities / Average current liabilities

⁴ Accounts receivable turnover = Net sales / Average accounts receivable - trade and others

⁵ Collection period = Average accounts receivable / Total revenues*360

⁶ Inventory turnover ratio = Cost of sale of goods / Average finished goods

⁷ Inventory turnover = 360 / Inventory turnover ratio

⁸ Accounts payable turnover = Cost of sale of goods / Average accounts payable

⁹ Payable period = 360 / Accounts payable turnover

¹⁰ Cash Cycle = Average collection period + Inventory turnover – Payable period

¹¹ Gross profit margin = Gross profit / Net sales

¹² Operating profit margin = Profit before interest expense and income tax expense / Net sales

¹³ Net profit margin = Net profit / Total revenues

¹⁴ Return on Equity = Net profit / Average shareholders' equity

¹⁵ Return on fixed assets = (Net profit + Depreciation) / Average fixed assets

¹⁶ Asset turnover = Total revenues / Average total assets

	2007	2008	2009
Leverage ratios			
Debt to equity ¹⁷ (times)	1.32	1.36	1.10
Interest coverage ¹⁸ (times)	2.47	2.61	12.02
Debt service coverage ¹⁹ (times)	0.44	0.50	0.80
Dividend payout ^{20, 21} (%)	50.13	58.07	59.92

This management's discussions and analysis is based on the consolidated financial statements of CPF and its subsidiaries for the year ended December 31, 2009. It includes financial statements of CPF and subsidiaries as stated in No.1 General Information of notes to financial statements.

2009 Operating Results

(1) The overview of the operating results

The Company had total sales of THB 165,063 million in 2009, increasing 6% year-on-year, resulted from the 1% increase of Thailand operations and 32% increase of overseas operations. Sales from the aquaculture business in Thailand rose 10%, while sales from the livestock business in Thailand decreased by 3%. The increase of the overseas operations' sales was from 34% increase in the livestock business and 29% increase in aquaculture business.

The Company's operating profit in 2009 was THB 10,190 million, increasing 226% compared to the previous year, mainly due to the increase in operating results of Thailand and overseas operations, especially in Turkey, the sale expansion of ready-to-eat products under CP Brand to markets worldwide, and the efficiency in production and finance cost management which continuously improved.

Note:

¹⁷ Debt to equity = Total liabilities / Total shareholders' equity

¹⁸ Interest coverage = Net cash provided by operating activities / Interest expenses

¹⁹ Commitment coverage = Net cash provided by operating activities / (Debt payment + Investment expenses + Purchase of assets + Dividend paid)

²⁰ Dividend payout = Dividend paid / Net profit

²¹ Dividend payout ratio beyond 2008 were computed based on the Company's separate financial statements

(2) Operating results of each business line

Sales structure of CPF and its subsidiaries for the years ended 31 December 2007, 2008 and 2009

	2007		2008		2009		Change
	THB, million	%	THB, million	%	THB, million	%	
1. Thailand Operations	112,905	84%	131,980	85%	133,000	81%	1%
1.1 Livestock Business	79,176	59%	98,012	63%	95,503	58%	-3%
Feed	23,767	18%	30,559	20%	26,987	16%	-12%
Farm	33,236	25%	41,771	27%	43,712	27%	5%
- Domestic	33,023	25%	41,608	27%	43,396	27%	4%
- Export	213	-	163	-	316	-	94%
Food	22,173	16%	25,682	16%	24,804	15%	-3%
- Domestic	7,733	6%	9,198	6%	9,539	6%	4%
- Export	14,440	10%	16,484	10%	15,265	9%	-7%
1.2 Aquaculture Business	33,729	25%	33,968	22%	37,497	23%	10%
Feed	16,603	12%	16,920	11%	19,001	12%	12%
Farm	11,548	9%	11,173	7%	11,853	7%	6%
- Domestic	7,730	6%	7,853	5%	8,532	5%	9%
- Export	3,818	3%	3,320	2%	3,321	2%	-
Food	5,578	4%	5,875	4%	6,643	4%	13%
- Domestic	377	-	360	-	415	-	15%
- Export	5,201	4%	5,515	4%	6,228	4%	13%
2. Overseas Operations	21,904	16%	24,258	15%	32,063	19%	32%
2.1 Livestock Business	14,622	11%	16,045	10%	21,508	13%	34%
2.2 Aquaculture Business	7,282	5%	8,213	5%	10,555	6%	29%
TOTAL SALES	134,809	100%	156,238	100%	165,063	100%	6%

Operating results of each business location and business line

(1) Thailand operations

Sales from Thailand operations totaled THB 133,000 million in 2009, increasing 1% year-on-year. Details of operating results of each business line are as follows:

Livestock business in Thailand

Sales from the livestock business in Thailand was THB 95,503 million in 2009, or 58% of the Company's total sales, decreasing 3% year-on-year. The proportion of domestic sales to export sales was 84 : 16

In 2009, the gross profit margin of the livestock business in Thailand was 18%, increasing from the previous year's gross profit margin of 14%, as a result of continuous improvement of efficiency in production.

Aquaculture business in Thailand

Sales from the aquaculture business in Thailand amounted to THB 37,497 million in 2009, rising 10% from THB 33,968 million of the prior year. This was due to the improvement of aquaculture business industry in Thailand.

In 2009, the gross profit margin of the aquaculture business in Thailand was 20% increasing from the previous year's gross profit margin of 16% due to the continuous improvement of the efficiency in production.

(2) Overseas operations

Sales from overseas operations totaled THB 32,063 million in 2009, increasing 32% year-on-year. This arising was from the sales increase in livestock business in Turkey and India, as well as the sales contribution from the Company's new subsidiary in Taiwan which was acquired in the third quarter 2009 and aquaculture business in Malaysia and China.

In 2009, the gross profit margin of overseas livestock business and overseas aquaculture business were 15% and 14%, respectively.

Dividend payment

In accordance with the Company's dividend policy, the sum of dividend payments from each year operating results will be approximately 50% of net profit after tax and appropriations to legal reserve (based on the separate financial statements of the Company). The Company paid an interim dividend considering from the first six months results of 2009 at THB 0.23 per share or total of THB 1,621 million on September 4, 2009. In addition, the Company's Board of Directors had a resolution on February 19, 2010 to pay an annual dividend considering from the second half results at THB 0.50 per share or THB 3,525 million. The annual dividend when combined with the interim dividend paid during the year 2009 will totally be THB 5,146 million or THB 0.73 per share, which equivalent to 60% of net profit of the year 2009 according to the Company's separate financial statements. The Board of Directors shall propose the annual dividend payment to the Annual General Shareholders' Meeting No. 1/2010 which will be held on April 21, 2010 for further approval.

Financial position

(1) Assets

As of December 31, 2009, the Company's total assets amounted to THB 115,698 million, comprising of THB 53,434 million in current assets, THB 46,422 million in property, plant and equipment, and THB 15,842 million in long-term investments and others.

Assets as of December 31, 2009 increased by 8% from the year earlier mainly due to the increase in cash and cash equivalents, investments in associates and assets of the Company's new subsidiary which was acquired in the third quarter 2009.

(2) Liquidity

In 2009, the Company had net cash from operating activities THB 22,340 million. Net cash used in investment activities was THB 4,917 million. Net cash used in financing activities was THB 10,143 million. The source of cash was generated from debentures issuance and loans from other financial institutions worth a total of THB 14,699 million. The uses of cash comprised of payments made on short term loans, notes payable, long term loans, debentures, interest expenses, dividend and others amounting to THB 24,842 million. The cash and cash equivalents as of December 31, 2009 was THB 10,516 million.

As of December 31, 2009, the Company's current ratio was 1.80 times, increased from 1.18 times at the end of previous year. Cash cycle was 24 days, decreased from 27 days of the end of previous year.

As of December 31, 2009, The Company is obliged to make payments on long term loans and debentures in the amounts of THB 6,290 million in 2010, THB 7,904 million in 2011, THB 4,519 million in 2012 and THB 14,333 million in 2013-2015. The Company's outstanding debentures totaled THB 27,200 million. Details are as follows:

- 1) A debenture worth THB 2,000 million was issued on June 16, 2005 carrying a coupon rate of 5.00% per year and a maturity of 5 years.
- 2) A debenture worth THB 3,800 million was issued on 5 July 2006 carrying a coupon rate of 6.90% per year and a maturity of 5 years.
- 3) A debenture worth THB 6,000 million was issued on October 19, 2007, divided into 2 series. The first series worth THB 3,500 million carries a coupon rate of 4.25% per year and a maturity of 3 years. The second series worth THB 2,500 million carries a coupon rate of 4.90% per year and a maturity of 5 years.

- 4) A debenture worth THB 6,000 million was issued on August 15, 2008, divided into 2 series. The first series worth THB 3,000 million carries a coupon rate of 5.15% per year and a maturity of 3 years. The second series worth THB 3,000 million carries a coupon rate of 5.70% per year and a maturity of 5 years.
- 5) A debenture worth THB 8,400 million was issued on November 25, 2009, divided into 3 series. The first series worth THB 2,200 million carrying a coupon rate of 3.90% per year and a maturity of 4 years. The second series worth THB 3,200 million carrying a coupon rate of 4.30% per year and a maturity of 5 years. The third series worth THB 3,000 million carrying a coupon rate of 4.80% per year and a maturity of 6 years.
- 6) A debenture worth THB 1,000 million issued on December 22, 2009 carrying a coupon rate of 4.40% per year and a maturity of 5 years 5 months and 8 days.

(3) Source of funds

The Net debt to Equity Ratio as of December 31, 2009 was 0.94 times (lower than the indicated Net Debt to Equity Ratio specified in the Term and Condition of debenture issuer and representatives for all outstanding debentures that the Company committed to maintain this ratio not above 2.00 times). Total liabilities of THB 60,719 million comprised of THB 17,922 million in interest bearing liabilities and THB 42,797 million in non-interest bearing liabilities. Interest bearing liabilities comprise of short-term liabilities and long-term liabilities amounted THB 16,039 million and THB 26,758 million, respectively.

As of December 31, 2009, shareholders' equity was THB 54,979 million, increasing 21% year-on-year. Increase in shareholders' equity mostly was from the increase in operating profits and minority interest of the Company's new subsidiary which was acquired in the third quarter of 2009.

(4) Investment in 2010

The Board of Directors approved the capital expenditure for the year 2010 totaled THB 6,719 million. THB 3,319 million will be invested in Thailand and THB 3,400 million will be invested in overseas. Investment plans may change according to changes in the business environment.