

Management's Discussion and Analysis

For the three-month period ended March 31, 2014

Highlights of the Consolidated Financial Statements and Key Financial Ratios

(a) Consolidated of financial position of CPF and its subsidiaries as of December 31, 2013 and March 31, 2014

	As of			
	December 31, 2013		March 31, 2014	
	THB, million	%	THB, million	%
Cash and cash equivalents	19,457	5	17,882	5
Current investment	3,143	1	2,124	1
Accounts receivable – trade and others	24,241	7	23,448	6
Inventories	48,469	13	54,656	14
Current biological assets	22,425	6	21,841	6
Other current assets	6,508	2	11,283	3
Total current assets	124,243	34	131,234	35
Long-term investments	49,598	14	53,112	14
Investment properties	1,930	1	1,475	-
Property, plant and equipment	110,931	30	113,570	30
Non-current biological assets	5,180	1	5,294	1
Goodwill	59,293	16	59,778	16
Other non-current assets	13,828	4	14,778	4
Total non-current assets	240,760	66	248,007	65
TOTAL ASSETS	365,003	100	379,241	100
Overdrafts and short-term borrowings	62,235	17	64,606	17
Bills of exchange	3,477	1	1,989	1
Accounts payable - trade and others	21,888	6	20,722	5
Current portion on long-term debts	11,517	3	12,504	3
Other current liabilities	15,884	5	18,925	5
Total current liabilities	115,001	32	118,746	31
Long-term debts	109,176	30	118,550	31
Other non-current liabilities	11,253	3	11,414	3
Total non-current liabilities	120,429	33	129,964	34
TOTAL LIABILITIES	235,430	65	248,710	65
SHAREHOLDERS' EQUITY	129,573	35	130,531	35

(b) Consolidated statements of income of CPF and its subsidiaries for the three-month periods ended March 31, 2013 and 2014

	2013		2014	
	THB, million	%	THB, million	%
Revenue from sale of goods	87,424	97	98,122	98
Gains on changes in fair value of investment in associates	2,143	2	518	1
Other income	395	1	768	1
TOTAL INCOME	89,962	1	99,408	100
Cost of sale of goods	79,532	89	85,018	86
Losses on changes in fair value of biological assets	267	-	243	-
Selling and administrative expenses	8,232	9	9,666	10
Finance costs	1,600	2	2,332	2
Others	112	-	106	-
TOTAL EXPENSES	89,743	1	97,365	98
Share of profit of associates and jointly-controlled entities	1,398	2	1,369	1
Profit before income tax expense	1,617	2	3,412	3
Income tax expense	281	-	792	1
Profit for the period	1,336	1	2,620	3
Non-controlling interests	(310)	-	(570)	(1)
Profit for the period attributable to equity holders of the Company	1,026	1	2,050	2

(c) Consolidated statements of comprehensive income of CPF and its subsidiaries for three-month periods ended March 31, 2013 and 2014

(Unit : THB, million)	2013	2014
Profit for the period	1,336	2,620
Other comprehensive income (loss) for the period, net of income tax expense	(3,429)	(1,587)
Total comprehensive income (loss) for the period	(2,093)	1,033
Non-controlling interests	(287)	227
Total comprehensive income (loss) for the period attributable to equity holders of the Company	(1,806)	806

(d) Consolidated statements of cash flows of CPF and its subsidiaries for the three-month periods ended March 31, 2013 and 2014

(Unit : THB, million)	2013	2014
Net cash used in operating activities	(2,019)	(4,564)
Net cash used in investing activities	(11,126)	(7,071)
Net cash provided by financing activities	17,581	11,298
Net increase (decrease) in cash and cash equivalents	4,436	(337)
Cash and cash equivalents at the beginning of period	12,250	17,180
Effect of exchange rate changes on the balances held in foreign currencies	(290)	(173)
Cash and cash equivalents at end of period	16,396	16,670

(e) Key financial ratios of the consolidated financial statements of CPF and its subsidiaries for the year ended 2013 and for the first quarter of 2014

	2013	March 31, 2014
Liquidity ratios		
Current ratio ¹ (times)	1.08	1.11
Quick ratio ² (times)	0.41	0.37
Cash flow liquidity ratio ³ (times)	0.09	(0.04)*
Accounts receivable turnover ⁴ (times)	16.00	16.36*
Average collection period ⁵ (days)	23	22
Inventory turnover ratio ⁶ (times)	28.86	26.14*
Average inventory Turnover ⁷ (days)	12	14
Accounts payable turnover ⁸ (times)	16.49	16.70*
Average payment period ⁹ (days)	22	22
Cash Cycle ¹⁰ (days)	13	14
Profitability ratios		
Gross profit margin ¹¹ (%)	9.98	13.35
Operating profit margin ¹² (%)	4.49	5.85
Net profit margin ¹³ (%)	1.74	2.03
Return on Equity ¹⁴ (%)	5.64	6.22*
Operating efficiency ratios		
Return on fixed assets ¹⁵ (%)	14.53	14.40*
Asset turnover ¹⁶ (times)	1.20	1.11*
Leverage ratios		
Debt to equity ¹⁷ (times)	1.82	1.91
Interest coverage ¹⁸ (times)	1.25	(2.18)
Debt service coverage ¹⁹ (times)	0.15	(0.32)
Dividend payout ²⁰ (%)	56.32	-

*Annualized by 4 retrospective quarterly information, starting March 31, 2014.

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 Average collection period = Average accounts receivable / Total revenues*360

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

⁷ Average Inventory Period= 360 / Inventory turnover ratio

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

⁹ Average 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 finance costs 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

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

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

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

²⁰ Dividend payout = Dividend paid / Net profit of the Company's separate financial statements

Explanation and Analysis of Financial Condition and Operating Result

This explanation and analysis is based on the consolidated financial statements of CPF and its subsidiaries for the three-month period ended March 31, 2014. It includes the financial statements of CPF and its subsidiaries (collectively called the "Company") as disclosed in No.1 General Information of Notes to financial statements.

In the first quarter of 2014, the significant event affected the preparation and presentation of the Company's consolidated financial statements for the three-month period ended March 31, 2014 is as follows:

Business Combination by Acquisition of Shares

The Company acquired shares of 2 companies, i.e. (1) Tops Foods NV ("Tops Foods") and (2) Hefei Chia Tai Co., Ltd. ("HCT"). At the acquisition date, the Company obtained control in such 2 companies of 80.01% and 74.62%, respectively. As a result, they became new subsidiaries of the Company. The Company's consolidated financial statement for the three-month period ended March 31, 2014 included the statements of Tops Foods and HCT. The Company has applied Thai Financial Reporting Standards ("TFRS") No. 3 (revised 2012) Business Combination to recognize the business combination transactions. Details of the transactions are disclosed in No. 3 Business Combination by Acquisition of Shares of the Notes to financial statements for the three-month period ended March 31, 2014.

The amount of assets acquired and liabilities assumed at the acquisition date is as follows:

	<i>(THB, Million)</i>	
	Tops Foods	HCT
Cash and cash equivalents	8	12
Trade receivables	58	21
Inventories	57	142
Other current assets	8	106
Property, plant and equipment	618	156
Other non-current assets	17	89
Borrowings	(233)	-
Trade and other payables	(53)	(79)
Other current liabilities	(20)	(234)
Deferred tax liabilities	(121)	(32)
Net assets	339	181
Less Non-controlling interests of the acquire	(68)	-
Group's ownership interest	271	181
Goodwill	145	992
Consideration transferred	416	1,173

1. Operating Results

(1) The overview of the operating results

The Company's revenue from sales in the first quarter of 2014 was THB 98,122 million, increased by 12% from THB 87,424 million in the same period of the previous year. The increase of sales was from growth in Thailand operations of 7% as well as international operations of 16%, resulting mainly from the increase in sales of farm business.

The Company's net profit in the first quarter of 2014 of THB 2,050 million, or equivalent to THB 0.28 per share, increased by 100% from THB 1,026 million in the same period of the previous year. It was mainly from revenues from sales increased and gross profit margin improved from 9% in the first quarter of 2013 to 13% in that of 2014.

(2) *Operating performance of each business line*

	For three-month period ended March 31,			
	2013		2014	
	THB, million	%	THB, million	%
1. Thailand operations				
Feed	12,705	15	11,863	12
Farm	16,088	18	19,356	20
Food	10,140	12	10,441	10
<i>Total sales - Thailand operations</i>	<i>38,933</i>	<i>45</i>	<i>41,660</i>	<i>42</i>
2. International operations				
Feed	35,383	40	37,712	39
Farm	12,143	14	17,013	17
Food	965	1	1,737	2
<i>Total sales - International operations</i>	<i>48,491</i>	<i>55</i>	<i>56,462</i>	<i>58</i>
Total revenue from sales	87,424	100	98,122	100

Operating results by business operations and business line

(1) Thailand operations

Total sales generated from Thailand operations for the first quarter of 2014 totaled THB 41,660 million, a 7% increase from THB 38,933 million in the same period of the previous year, with the following details:

a. Domestic sales

Domestic sales for the first quarter of 2014 totaled THB 35,609 million, a 12% increase from THB 31,850 million in the same period of the previous year. The increase of sales was mainly from the growth in sales from farm business.

b. Export sales

Export sales for the first quarter of 2014 totaled THB 6,051 million, a 15% decrease from THB 7,083 million in the same period of the previous year. The decrease of sales was mainly from the declining in sales from aquatic business.

(2) International operations

Total sales generated from international operations totaled THB 56,462 million in the first quarter of 2014, a 16% increase from THB 48,491 million in the same period of the previous year. This was primarily due to the increase of livestock business sales by THB 6,038 million and aquatic business by THB 1,933 million.

In the first quarter of 2014, the Company's operating profit was THB 4,660 million, a 879% increase from THB 476 million in the same period of the previous year. This increase was from the increase of revenue from sales and improving of gross profit margin of livestock business.

2. Changes in other comprehensive income

In the first quarter of 2014, change in other components of shareholders' equity after tax presented in the Company's comprehensive income decrease by THB 1,587 million. This was mainly due to currency translation differences as a result of Thai baht depreciation as of March 31, 2014 comparing to the ended of last year.

3. Financial position

(1) *Assets*

As of March 31, 2014, the Company's total assets were THB 379,241 million, composed of THB 131,234 million in current assets, THB 113,570 million in property, plant and equipment, and THB 134,437 million in long-term investments and others.

Total assets as of March 31, 2014 increased by 4% from the same period of the previous year mainly due to the increase in inventories and long-term investments.

(2) *Liquidity*

In the first quarter of 2014, the Company had net cash from operations totaled THB 4,564 million while net cash used in investing activities totaled THB 7,071 million. Net cash provided by financing activities was THB 11,298 million derived from net borrowing totaling THB 13,587 million and net cash used in interest payment and others totaled THB 2,289 million. Cash and cash equivalents (net of overdrafts) as of March 31, 2014 totaled THB 16,670 million.

Liquidity ratio as of March 31, 2014 was 1.11 times, increased from the same period of the previous year's 1.08 times while cash cycle as of March 31, 2014 was 14 days.

As of 31 March 2014, the Company was obliged to make payments on long-term borrowings and debentures amounting to THB 10,322 million in 2014, THB 11,702 million in 2015, THB 14,588 million in 2016 and THB 94,427 million for the period between 2017 through 2041.

Details of CPF's outstanding debentures as of March 31, 2014 totaled THB 69,260 million are as follows:

	Amount (THB, million)	Issued Date	Maturity Date	Maturity Term (Years)	Coupon Rate per Annum (%)
1. CPF Debenture #1/2009 Series 2	3,200	25 Nov 2009	25 Nov 2014	5	4.30
2. CPF Debenture #1/2009 Series 3	3,000	25 Nov 2009	25 Nov 2015	6	4.80
3. CPF Debenture #2/2009	1,000	22 Dec 2009	30 May 2015	5 years 5 months 8 days	4.40
4. CPF Debenture #1/2010	1,000	11 Feb 2010	30 May 2015	5 years 3 months 19 days	4.20
5. CPF Debenture #2/2010 Series 1	3,000	3 Nov 2010	3 Nov 2014	4	Year 1-3 = 3.00% Year 4 = 4.00%
6. CPF Debenture #2/2010 Series 2	5,000	3 Nov 2010	3 Nov 2017	7	Year 1-3 = 3.00% Year 4-5 = 4.00% Year 6-7 = 5.00%
7. CPF Debenture #1/2011 Series 1	3,000	19 Aug 2011	19 Aug 2018	7	4.65
8. CPF Debenture #1/2011 Series 2	3,000	19 Aug 2011	19 Aug 2021	10	4.87
9. CPF Debenture #1/2011 Series 3*	4,000	19 Aug 2011	19 Aug 2041	30	5.42
10. CPF Debenture #2/2011*	6,000	21 Dec 2011	21 Dec 2041	30	5.42
11. CPF Debenture #1/2012	6,060	15 Mar 2012	15 Mar 2016	4	4.17
12. CPF Debenture #2/2012 Series 1	6,000	3 Aug 2012	3 Aug 2019	7	Year 1-4 = 4.35% Year 5-7 = 5.00%
13. CPF Debenture #2/2012 Series 2	4,000	3 Aug 2012	3 Aug 2022	10	Year 1-4 = 4.40% Year 5-9 = 5.00% Year 10 = 6.00%
14. CPF Debenture #2/2012 Series 3	5,000	3 Aug 2012	3 Aug 2032	20	5.30
15. CPF Debenture #1/2013	6,000	9 May 2013	9 May 2018	5	3.93
16. CPF Debenture #2/2013 Series 1	2,000	2 Aug 2013	2 Aug 2017	4	4.04
17. CPF Debenture #2/2013 Series 2	2,500	2 Aug 2013	2 Aug 2019	6	4.54
18. CPF Debenture #2/2013 Series 3	5,500	2 Aug 2013	2 Aug 2021	8	4.90

* Debenture with holders' early redemption right at the end of year 15

Additionally, in January 2014, C.P. Foods Holdings Limited ("CPFH"), a wholly owned subsidiary of CPF, issued and offered USD 290.4 million 0.5% Exchangeable Bonds due 2019 ("EBs") which EB holders can exchange the EBs into a pro rata shares of an exchange property with a sponsor undertaking from the Company. The exchange property, at the EBs issue date, shall initially comprise 180 million shares in CP ALL Public Company Limited ("CPALL Shares"), which belong to CPFH and have been deposited in the Custody Account with Merrill Lynch International (the "Custodian" or "Merrill Lynch") pursuant to the details in the Terms and Conditions of the EBs. Under the terms and conditions of the EBs, the EB holders have the options to (1) exchange the EBs into CPALL shares as held by CPFH, or (2) put the EBs to CPFH on the date falling 2 years from the issue date of EBs, or (3) hold the EBs until its maturity, whereby in the case of (2) and (3) CPFH will repay the EB holders in cash. In accordance with the terms and conditions of the EBs, where the EB holders exercise the exchange right, CPFH has the option to deliver CPALL

Shares to the EB holders or redeem the EBs using cash of equivalent market value of CPALL shares. The initial exchange ratio of EBs is 123,966.94 CPALL shares for each USD 200,000 principal amount of EBs (1 CPALL share equivalent to THB 53.29 (rounded up) at the exchange rate USD 1 : THB 33.03).

As of March 31, 2014, the carrying amount of the EBs were USD 286 million or equivalent to THB 9,262 million.

(3) *Source of funds*

The Debt to Equity ratio as of March 31, 2014 was 1.91 times while the Net Debt to Equity ratio calculated based on the specified Terms and Condition of debenture issuers and holders for the outstanding debentures are as follows:

<i>Unit : Times</i>	Net Debt to Equity ratio	
	Consolidated	Separated
Debentures issued before CPF debenture #1/2013 ²¹	1.77	1.03
CPF Debenture #1/2013 ³⁸	1.77	N/A
CPF Debenture #2/2013 ²²	1.35	N/A

Note: The net debt to equity ratio which CPF has to maintain under the specified Terms and Condition of debenture issuers and holders for all debentures is no more than 2.00 : 1.00 and 1.15 : 1.00. The ratio is calculated based on the reviewed/ audited consolidated financial statement statements as of June 30 and December 31 of each accounting period (as the case may be).

As of March 31, 2014, total liabilities of the Company amounted to THB 248,710 million, a 6% increase resulting from an increase of THB 11,244 million in interest bearing liabilities and THB 2,036 million in non-interest bearing liabilities. The total liabilities comprised non-interest bearing liabilities and interest bearing liabilities of THB 51,061 million and THB 197,649 million, respectively. The interest bearing liabilities included short-term of THB 79,099 million and long-term of THB 118,550 million.

As of March 31, 2014, shareholders' equity was THB 130,531 million, increasing 1% from the same period of previous year. Increase in shareholders' equity was mainly from the increase in operating profits for three-months period ended March 31, 2014.

²¹ Net Debt = Total liabilities - Cash and cash equivalents + Guarantee to any persons or juristic persons excluded (1) guaranteed by CPF to its subsidiaries and guaranteed by CPF's subsidiaries to CPF and (2) deferred tax liabilities

²² Net Debt = Total interest-bearing liabilities excluded liabilities under financial lease agreements - cash and cash equivalents and current investments