



No. MDA-EN 03/2022

August 9th, 2022

The President

The Stock Exchange of Thailand

Re: Management's Discussion and Analysis (MD&A) on 2Q2022

1. Executive Summary

(Unit: Million Baht)	2Q	1Q	2Q	%Inc. (Dec.)				%Inc
	2022	2022	2021	YoY	QoQ	1H2022	1H2021	(Dec.)
Sales Revenue	893.4	699.9	743.3	20.2%	27.6%	1,593.3	1,397.1	14.0%
Gross Profit	146.5	92.0	131.2	11.6%	59.2%	238.5	230.4	3.5%
Net Profit	25.9	30.4	59.4	(56.3%)	(14.6%)	56.3	89.9	(37.4%)
Earnings per share (Baht/share)	0.04	0.05	0.09			0.09	0.14	

In the second quarter of 2022 (2Q2022), SUN and its subsidiary reported Sales Revenue in an amount of Baht 893.4 million, an increase of Baht 150.1 million or 20.2% when compared to the same period last year (2Q2021) mostly from the increase in i) international trade expansion in the Asia-Pacific in the Canned sweet corn products category and Frozen sweet corn category especially in Japan, Taiwan, South Korea and China due to increasing customer base both new customers and existing customers who have ordered more. ii) domestic sales from ready-to-eat products, especially Roasted Japanese sweet potato, Boiled tiger peanut, Ready-to-eat bagged sweet corn and Ready-to-eat whole grain. In addition, new products such as Baked Potatoes, Steamed Banana, Salt grilled corn and Corn soup, available in convenience stores and supermarkets.

Net Profit of SUN and its subsidiary in 2Q2022 was reported at Baht 25.9 million, a decrease of Baht 33.5 million or 56.3% from 2Q2021. This was mainly from sales revenue growth, but the gross margins declined as headline inflation increased following higher energy prices, especially i) the cost of canned containers is higher due to the high price of steel ii) increase in raw material prices. In addition, the Company has a policy to enter into forward foreign exchange contracts regularly to mitigate the impact of exchange rate volatility. Selling expenses were higher due to higher transportation costs following higher sales and higher oil prices. In addition, advertising and promotion expenses were higher from exhibitions in 2Q2022. Administrative expenses are still well controlled. In addition, Administrative expenses were still well controlled. Administrative expenses increased due to the increase in employee salary and welfare expenses.

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Net Profit of SUN and its subsidiary the first half of 2022 (1H2022) was reported at Baht 56.3 million, a decrease of Baht 33.6 million or 37.4% from the first half of 2021 (1H2021). Although sales revenue increased by 14.0%, however, the gross profit margin declined due to higher costs, such as canned prices, raw material prices, higher selling expenses due to higher transportation costs, and the trade fair in 2022. As well as an increase in derivative losses and foreign exchange losses in 1H2022.

As of 30 June 2022, SUN and its subsidiary had the total assets amounting to Baht 1,652.6 million, increased by Baht 199.0 million or 13.7% from 31 December 2021, mainly from i) the increase in Cash and cash equivalents amounting to Baht 200.1 million from the higher trade transactions. ii) the increase in property, plant, and equipment by Baht 50.6 million due to Biogas production project and Production efficiency improvement project such as biomass steam generators and Hydrolock sterilizer. Whereas the total liabilities were recorded at Baht 550.7 million, increased by Baht 239.4 million or 76.9% primarily from an increase in trade and other payables amounting to Baht 142.4 million from the higher trade transactions and long-term loans from financial institutions amounting to Baht 45.3 million. The total shareholders' equity was Baht 1,101.9 million, decreased by Baht 40.4 million or 3.5%, mainly from net profit of 1H2022 amounting to Baht 56.3 million and dividend payment of Baht 96.7 million.

2. Economic Overview in the Second Quarter of 2022

The world economy in 2Q2022 continued recover. The demand for goods from trading partner countries also improved, as a result Export Sales continued grew from 2Q2022. However, in 2Q2022, there were still problems from the conflict between Russia and Ukraine since 1Q2022, the conflict has affected prices of energy and commodities and chemical fertilizers, leading to higher transportation costs, raw material prices, and higher fertilizer prices. However, the company made great efforts to control production costs and other expenses appropriately.

There is also a factor that may cause the economy to slow down is the Covid-19 epidemic in China which longer than expected. These may affect the global economy and production chains and may affect the exports of Thailand

The global financial markets have increased volatility. The baht against the US dollar depreciated on concerns about the escalating conflict between Russia-Ukraine. However, the Company manages its risks by entering into forward foreign exchange contracts regularly to mitigate the effects of such exchange rate fluctuations.

The Thai economy in 2Q2022 recovered from the previous quarter due to higher export value. The number of foreign tourists was more than expected. Headline inflation rose sharply in line with energy prices and fresh food prices. However, general goods expenditure improved in line with better economic activities from the services category and the easing covid-19 situation.

The outlook for the Thai economy and the world economy still needs to be monitored. 1) The geopolitical conflict situation. Between Russia-Ukraine and between China-USA and Taiwan 2) an increase in production costs and prices of goods and services 3) a longer-than-expected Covid-19 spread in China affecting the global economy and production chains and 4) the high volatility of the money market. Isolation of Russia from the global financial system.

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3. Financial Results of SUN and its subsidiary for 2Q2022 and 1H2022

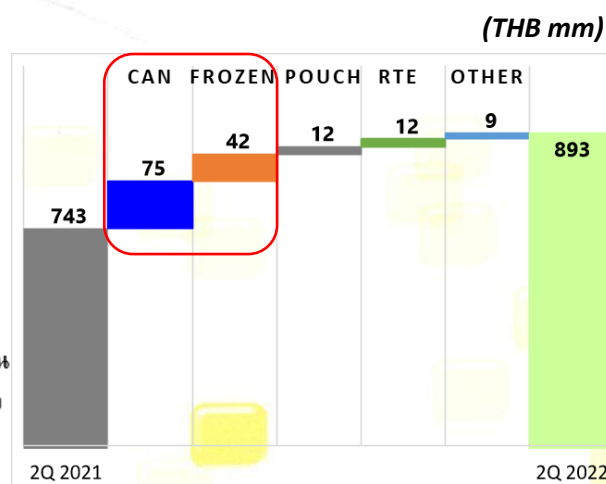
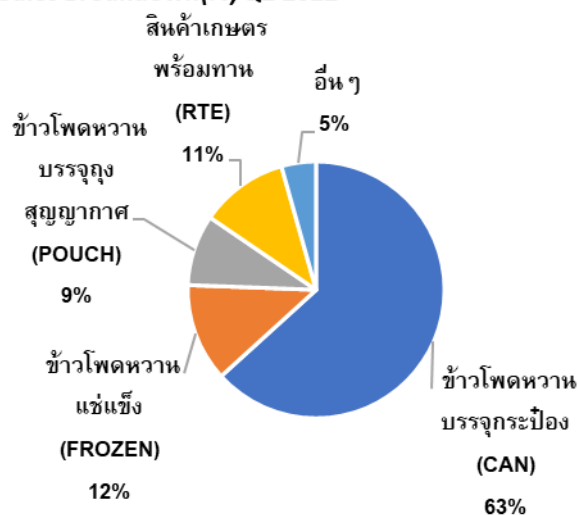
(Unit: Million Baht)	2Q	1Q	2Q	%Inc. (Dec.)				%Inc
	2022	2022	2021	YoY	QoQ	1H2022	1H2021	(Dec.)
Revenue from sales	893.4	699.9	743.3	20.2%	27.6%	1,593.3	1,397.1	14.0%
Cost of sales	746.9	607.9	612.1	22.0%	22.9%	1,354.8	1,166.7	16.1%
Gross profit	146.5	92.0	131.2	11.6%	59.2%	238.5	230.4	3.5%
Other income	3.2	2.0	1.3	>100.0%	63.2%	5.1	3.6	41.9%
Gains (losses) on exchange rate & on derivatives, net	(36.9)	9.5	(11.0)	<100.0%	<100.0%	(27.4)	(16.6)	64.7%
Selling expenses	(62.0)	(45.5)	(45.8)	35.5%	36.3%	(107.5)	(89.7)	19.8%
Administrative expenses	(20.1)	(21.8)	(16.5)	21.8%	(7.6%)	(41.9)	(32.5)	29.0%
Finance costs	(0.6)	(0.7)	(0.5)	7.7%	(15.8%)	(1.2)	(0.8)	46.9%
Profit before income tax	30.1	35.5	58.7	(48.7%)	(15.4%)	65.6	94.4	(30.5%)
Income tax	(4.2)	(5.1)	0.7	>100.0%	19.8%	(9.3)	(4.5)	>100.0%
Net profit	25.9	30.4	59.4	(56.3%)	(14.6%)	56.3	89.9	(37.4%)
Earnings per share (Baht/share)	0.04	0.05	0.09	(56.3%)	(14.6%)	0.09	0.14	-
% GP	16.4%	13.1%	17.7%	(7.2%)	24.7%	15.0%	16.5%	(9.2%)
% Net profit margin	2.9%	4.3%	8.0%			3.5%	6.4%	
EBITDA	50.2	55.8	77.7	(35.4%)	(10.0%)	106.0	131.8	(19.6%)
% EBITDA margin	5.6%	7.8%	10.4%			6.6%	9.4%	

Summary of Financial Performance

Revenues

1. Revenues from Sales

Sales Breakdown(%) Q2'2022



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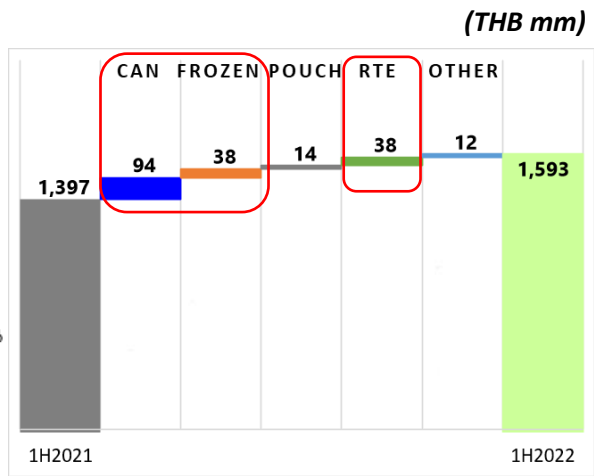
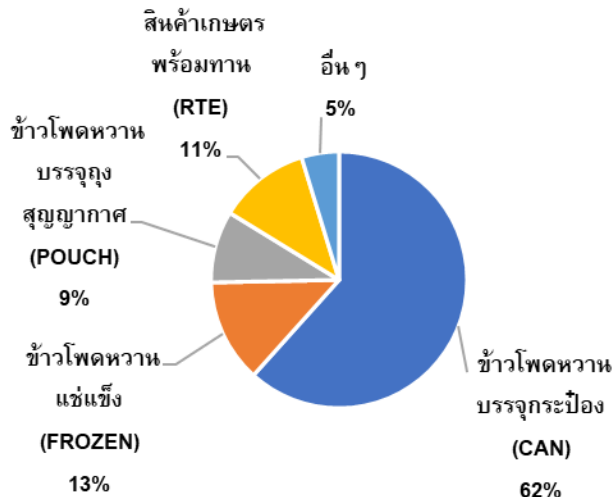
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Sales Breakdown(%) 1H2022



SUN's consolidated total revenues from sales for 2Q2022 reached Baht 893.4 million, representing an increase of Baht 150.1 million or 20.2% over the same period last year. This increase was mainly driven by:

- International trade expansion in the Asia-Pacific region such as Japan Taiwan South-Korea and China, especially canned sweet corn products (Can) and frozen sweet corn products (Frozen), due to increasing customer base both new customers and existing customers who have ordered more.
- Increased domestic sales from Ready-to-eat products such as Roasted Japanese sweet potato, Boiled tiger peanut, Ready-to-eat bagged sweet corn and Ready-to-eat whole grain. In addition, new products such as Baked Potatoes, Steamed Namwa Banana, Grilled Cut Sweet Corn with Salt and Corn soup are also released, available in convenience stores and supermarkets.

SUN's consolidated total revenues from sales for 1H2022 reached Baht 1,593.3 million, representing an increase of Baht 196.2 million or 14.0% over the same period last year.

2. Other Income

The consolidated other income for 2Q2022 was Baht 3.2 million, representing an increase of Baht 1.9 million or more than 100% over the same period last year.

The consolidated other income for 1H2022 was Baht 5.1 million. Representing an increase of Baht 1.5 million or 41.9% over the same period last year.

3. Gain (Loss) on exchange rate and derivatives, net

The consolidated loss on the exchange rate and derivatives, net for 2Q2022 was Baht 36.9 million, representing an increase of loss amounting to Baht 25.9 million or more than 100% from 2Q2021, which was loss on exchange rate and derivatives amounting to Baht 11.0 million. The baht depreciated throughout 1H2022 due to concerns about the escalating conflict between Russia-Ukraine. And a major policy rate hike by the US Federal Reserve has strengthened the dollar against other currencies. However, the company has a policy to use hedging instruments such as foreign currency forward contracts to hedge foreign exchange risk by entering into forward contracts as appropriate for the circumstances.

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The consolidated loss on exchange rate and derivatives, net for 1H2022 was Baht 27.4 million. Representing an increase of loss amounting to Baht 10.8 million or 64.7% over the same period last year.

Cost of Goods Sold and Gross Profit from Sales

SUN's consolidated gross profit for 2Q2022 reached Baht 146.5 million. (16.4% of gross profit margin), representing an increase of Baht 15.3 million or 11.6% over the same period last year, which was Baht 131.2 million. (17.7% of gross profit margin), %GP decreased mainly due to:

- Higher cost of canned containers.
- Higher sweet corn raw material prices.
- The quantity of sweet corn raw materials received into the factory was lower than the plan.

However, the Company has negotiated with trading partners to raise the selling price to reflect higher production factors. The production line has also been improved for better production efficiency to reduce costs.

SUN's consolidated gross profit for 1H2022 reached Baht 238.5 million. (15.0% of Gross Profit Margin), Representing an increase of Baht 8.1 million or 3.5% over the same period last year, which was Baht 230.4 million. (16.5% of Gross Profit Margin).

Selling Expenses

The consolidated selling expenses for 2Q2022 was Baht 62.0 million with an increase of Baht 16.2 million or 35.5% over the same period last year. This increase was mainly due to higher transportation cost and export expense in line with the revenue from sales, higher transportation rates due to rising oil price. Exhibitions also can be released in 2Q2022 after the covid-19 problem has subsided.

The consolidated selling expenses for 1H2022 was Baht 107.5 million with an increase of Baht 17.8 million or 19.8% over the same period last year.

General and Administration Expenses

The consolidated general and administration expenses for 2Q2022 was Baht 20.1 million with an increase of Baht 3.6 million or 21.8% over the same period last year. This increase was mainly due to the increase in employee salary and welfare expenses.

The consolidated general and administration expenses for 1H2022 was Baht 41.9 million with an increase of Baht 9.4 million or 29.0% over the same period last year

Financial Costs

The consolidated financial costs for 2Q2022 were Baht 0.6 million, an increase of Baht 0.1 million or 7.7% from 2Q2021, was mainly due to using the short-term loans from financial institutions for working capital and long-term loans from financial institutions for the Mini-Factory project.

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The consolidated financial costs for 1H2022 was Baht 1.2 million, an increase of Baht 0.4 million or 46.9% over the same period last year.

Net Profit and Net Profit Margin

SUN's consolidated net profit for 2Q2022 reached Baht 25.9 million, a decrease of Baht 33.5 million or 56.3% over the same period last year was mainly from sales revenue growth, but the gross margins declined due to i) the cost of canned containers is higher. ii) The quantity of sweet corn raw materials received into the factory was lower than the plan. Selling expenses increased due to higher shipping rates and exhibition expenses in 2Q2022. Administrative expenses are still well controlled, with higher from employee salary and welfare expenses. As well as having losses from derivatives and losses from foreign exchange increases.

The consolidated net profit margin for 2Q2022 represented 2.9%, decreasing from the same period last year, which was 8.0% of net profit margin as the same above-mentioned factors.

SUN's consolidated net profit for 1H2022 reached Baht 56.3 million, a decrease of Baht 33.6 million or 37.4% over the same period last year.

The consolidated net profit margin for 1H2022 represented 3.5%, decreasing from the same period last year, which was 6.4% of net profit margin.

4. Major Project Progress

In 2022, the Company has investment project in efficiency improvement and capacity expansion project of Baht 193 million, consisting of the following items:

1. Production line with automatic packaging machinery for Canned product
2. Biomass steam generator with capacity of 15 tons per hour
3. X-ray contaminant inspection machine and package leak checker
4. Automatic Hydrolock sterilizer, continuous sterilization system.
5. Vacuum bagging corn kernels and Corn kernels bagging products
Vacuum

The project supports the expansion of sales growth according to the company's business plan and increase production capacity in products to meet the needs of consumers including helping to increase efficiency in producing quality products consistently according to the standard. The project has started operations and is expected to be completed by the fourth quarter of 2022.

Yours sincerely,

Mr. Vira Nopwattanakorn
Chief Finance Officer
Sunsweet Public Company Limited

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