

No. MDA-EN 03/2020

August 7th, 2020

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on 2Q20 and 1H20 performance

1. Financial performance of Sunsweet Public Company Limited for 2Q20 and 1H20

Performance Overview

The operating results in 2Q20 are described as per the following.

- Both domestic and international consumption grew up. Domestic markets expanding in Ready-to-eat products such as Ready-to-eat bagged Sweet corn, Roasted Japanese Sweet potato, Roasted Purple Sweet potato, and Boiled Tiger peanut. International markets expanding continuously in the Asia-Pacific region, Europe, and America. The sales of goods in advance contracts have been added continuously. This is caused by increasing the customer base, both new customers or existing customers who turn to buy more.
- The company was affected by drought and plant diseases in the 2Q20. However, the Department of Planting had solve the drought and plant diseases in order to increase the quantity and quality of sweet corn raw material including the expansion of the planting area to meet the company production capacity and quality.
- The situation of the THB is likely to depreciate, where THB/USD in 2Q20 averaging at 31.64, comparing with 2Q19, averaging at 31.25. However, when quarterly comparison of the 1H20, the THB/USD exchange rate is highly volatile. The depreciation in the 1Q20, but the appreciation throughout the 2Q20. Therefore, the company had used financial instruments such as forward foreign exchange contracts appropriate to the situation.
- The company has faced risks from high contractions of the Thai economy due to the COVID-19. However, Thai economic activity has improved since the 3rd quarter of the year 2020 as a result of the relaxation of the lockdown measures.
- The company still had faced the foreign risks from (1) the outbreak from the Covid-19 virus, which more intense than expected and causing an impact on the economy of trading partners, (2) the trade tensions between USA and China, and (3) the impact of anti-dumping from the European Union

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2.Key Highlights of 2Q20 and 1H20

Unit: Million THB	2Q20	2Q19	Increase (decrease) %	1H20	1H19	Increase (decrease) %
Revenue from sales of processed sweet corn and other agricultural products	594.5	419.1	41.8	1,182.0	828.5	42.7
Revenue from trading business	2.7	2.0	31.5	10.4	10.7	(3.5)
Revenue from other sales	27.7	18.4	50.9	46.3	36.1	28.3
Total revenue from sales	624.9	439.5	42.2	1,238.7	875.3	41.5
Other income	1.0	0.7	32.5	2.8	2.5	9.7
Gain on exchange rate	-	1.4	(100.0)	-	13.5	(100.0)
Unrealised gain on derivatives	32.9	-	100.0	4.9	-	100.0
Total revenue	658.8	441.6	49.1	1,246.4	891.3	39.8
Cost of goods sold	(523.8)	(427.4)	22.5	(1,055.1)	(816.5)	29.2
Gross profit	101.1	12.1	733.3	183.6	58.8	212.1
Selling expenses	(36.0)	(34.3)	4.9	(76.5)	(67.6)	13.2
Administrative expenses	(14.9)	(21.5)	(31.1)	(29.8)	(39.1)	(24.1)
Loss on exchange rate	(19.0)	-	100.0	(11.0)	-	100.0
Profit (loss) before financial costs and income tax	65.1	(41.6)	256.3	74.0	(31.9)	331.7
Finance costs	(0.3)	(1.5)	(80.6)	(1.0)	(2.5)	(59.7)
Profit (loss) before income tax	64.8	(43.1)	250.2	73.0	(34.4)	312.2
Income tax	(8.3)	0.8	1,141.2	(6.1)	0.7	945.9
Net profit (loss) for the period	56.5	(42.3)	233.5	66.9	(33.7)	298.7
Gross profit margin (%)	16.2	2.8	486.1	14.8	6.7	120.5
Net profit margin (%)	8.6	(9.6)	189.5	5.4	(3.8)	242.1

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Summary of Financial Performance



Revenues

1. Revenues from Sales

SUN's consolidated total revenues from sales for 2Q20 reached THB 624.9 million, representing an increase of THB 185.4 million or 42.2% over the same period last year. This increase was mainly driven by:

- i) significant rise in sales in Asia, Europe and America markets as acquiring both new customers or existing customers who turn to buy more. Even if international travel restrictions due to the outbreak from the Covid-19 virus, the company has still maintained the close relationships with overseas customers via the VDO conference system.
- ii) Domestic markets expanding in ready-to-eat products such as ready-to-eat bagged sweet corn, roasted Japanese sweet potato, roasted purple sweet potato, and boiled tiger peanut. As well as increasing sales channels in retail and online market.

SUN's consolidated total revenues from sales for 1H20 reached THB 1,238.7 million, representing an increase of THB 363.4 million or 41.5% over the same period last year.

2. Other Income

The consolidated other income for 2Q20 was THB 1.0 million. Representing a slight increase of THB 0.3 million or 32.5% over the same period last year.

The consolidated other income for 1H20 was THB 2.8 million. Representing an increase of THB 0.3 million or 9.7% over the same period last year.

3. Unrealised Gain on Derivatives

The consolidated Unrealised gain on derivatives for 2Q20 was THB 32.9 million, mainly due to the fair value measurement of foreign exchange sell contracts for USD 14.4 million at the end of the period. SUN has adopted financial reporting standards relating to financial instruments (TAS 32 TFRS7 and TFRS 9) retrospectively from January 1st, 2020.

The consolidated Unrealised gain on derivatives for 1H20 was THB 4.9 million,

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Cost of Goods Sold and Gross Profit from Sales

SUN's consolidated gross profit for 2Q20 reached THB 101.1 million. (16.2% of Gross Profit Margin), Representing an increase of THB 89.0 million or 733.3% over the same period last year, which was THB 12.1 million. (2.8% of Gross Profit Margin), This increase was mainly driven by:

- The selling price has increased comparing with the same period last year. In addition, THB/USD is likely to depreciate comparing with 2Q19.
- Revenue from other sales when compared to the same period last year was higher in line with the revenue from sales of processed sweet corn and other agricultural products such as revenue from corn cobs, revenue from sales of seeds, and revenue from trading business.
- The production costs per unit were slightly increased due to the damage from the drought during the planting period causing the higher price of sweet corn.

SUN's consolidated gross profit for 1H20 reached THB 183.6 million. (14.8% of Gross Profit Margin), Representing an increase of THB 124.8 million or 212.1% over the same period last year, which was THB 58.8 million. (6.7% of Gross Profit Margin).

Selling Expenses

The consolidated selling expenses for 2Q20 was THB 36.0 million with an increase of THB 1.7 million or 4.9% 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.

The consolidated selling expenses for 1H20 was THB 76.5 million with an increase of THB 8.9 million or 13.2% over the same period last year.

General and Administration Expenses

The consolidated general and administration expenses for 2Q20 was THB 14.9 million with a decrease of THB 6.6 million or 31.1% over the same period last year, was mainly due to (1) In 2Q19 Provision for employee benefits from the new Labor Protection Act which has been in effect since 2019, (2) the travelling and entertainment expenses decreased as a result of travel restriction measures from the COVID-19 situation.

The consolidated general and administration expenses for 1H20 was THB 29.8 million with a decrease of THB 9.3 million or 24.1% over the same period last year

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Loss on Exchange rate

The consolidated loss on exchange rate for 2Q20 was THB 19.0 million mainly due to the THB/USD exchange rate volatility, the depreciation in the 1Q20, but the appreciation throughout the 2Q20.

The consolidated loss on exchange rate for 1H20 was THB 11.0 million. Representing a decrease of THB 24.5 million over the same period last year.

Financial Costs

The consolidated financial costs for 2Q20 was THB 0.3 million, a decrease of THB 1.2 million or 80.6% over the same period last year, was mainly due to returning short-term loan from financial institutions for working capital.

The consolidated financial costs for 1H20 was THB 1.0 million, a decrease of THB 1.5 million or 59.7% over the same period last year.

Net Profit and Net Profit Margin

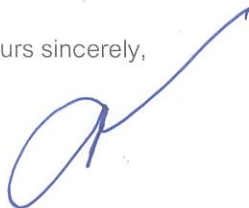
SUN's consolidated net profit for 2Q20 reached THB 56.5 million, an increase of THB 98.8 million or 233.5% over the same period last year, was mainly driven by (1) the company and its subsidiaries continued its solid growth. The growth rate in the 2Q20 is 42.2% (2) Ability to good manage the selling and administrative expenses. (3) using the financial instruments such as forward foreign exchange contracts appropriate to the situation.

The consolidated net profit margin for 2Q20 represented 8.6%, increasing from the same period last year, which was a negative -9.6% of net profit margin as the same above-mentioned factors.

SUN's consolidated net profit for 1H20 reached THB 66.9 million, an increase of THB 100.6 million or 298.7% over the same period last year.

The consolidated net profit margin for 1H20 represented 5.4%, increasing from the same period last year, which was a negative -3.8% of net profit margin.

Yours sincerely,



(Mr. Vira Nopwattanakorn)

Chief Finance Officer

Sunsweet Public Company Limited

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