



No. MDA-EN 03/2021

August 6th, 2021

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on 2Q21 and 1H21 performance (Revised)

1. Financial performance of Sunsweet Public Company Limited for 2Q21 and 1H21

Performance Overview

The operating results in 2Q21 are described in the following details.

- The sales revenue growth from all product groups. It was mainly driven by (1) higher sales in Ready-to-eat products such as pouch sweet corn on the cob, roasted Japanese sweet potato, roasted purple sweet potato, boiled tiger peanut and whole-grain ready-to-eat (2) International trade in the Asia-Pacific region and Australia from the increasing demand of foreign customers both existing and new customers. Meanwhile, the Middle East, European Union and the America region had lower deliveries due to container shortage and rising freight prices during the COVID-19 epidemic.
- In the 2Q21, the sweet corn yield was higher than the previous year due to the expansion of planting area to match the company's production capacity.
- The situation of THB is sharply depreciated because of the worsen domestic epidemic and the appreciation of the USD. The company has regularly used the forward foreign exchange contracts to hedge foreign exchange risks and then causing a loss from derivatives.
- In the 2Q21, the Mini Factory was completed, able to expand the production capacity of ready-to-eat products to serve the growing domestic market.
- The company has faced risks from the domestic market due to the ongoing and severe outbreak of the Delta virus strain. Some provinces in the dark red areas have strict lockdown measures, so the consumers in the next period may be more cautious when buying the consumer products. The effectiveness of the Lockdown measures and the duration of the Lockdown measures must be monitored further.
- In addition, the company has a risk from outbreak of the Delta virus strain in the factory. It is expected that the latest wave of outbreaks It tends to be long and affect a wide area. Therefore the company has strict supervision measures within the factory.
- Global steel prices. continually rising causing the price of canned containers to increase As a result, the cost of canned sweet corn products is higher.

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- The global economy and trade are recovering rapidly. As a result, product exports continued to grow. However, the company still faced a risk of another global pandemic from Delta virus strain disrupting the Global supply chain, the container shortages still result in high shipping costs. Therefore, the company has expanded overseas markets to Asia Pacific region and Australia instead.

2. Key Highlights of 2Q21 and 1H21

Unit: Million THB	2Q21	2Q20	Increase (decrease) %	1H21	1H20	Increase (decrease) %
Revenue from sales of processed sweet corn and other agricultural products	713.5	594.5	20.0	1,333.7	1,182.0	12.8
Revenue from trading business	1.8	2.7	(32.5)	6.8	10.4	(34.8)
Revenue from other sales	28.0	27.7	1.1	56.6	46.3	22.2
Total revenue from sales	743.3	624.9	19.0	1,397.1	1,238.7	12.8
Other income	1.3	1.0	30.9	3.6	2.8	30.0
Gain on exchange rate	-	-	0.0	12.8	-	100.0
Unrealised gain on derivatives	-	32.9	(100.0)	-	4.9	(100.0)
Total revenue	744.6	658.8	13.0	1,413.5	1,246.4	13.4
Cost of goods sold	(612.1)	(523.8)	16.9	(1,166.7)	(1,055.1)	10.6
Gross profit	131.2	101.1	29.8	230.4	183.6	25.5
Selling expenses	(45.8)	(36.0)	27.1	(89.7)	(76.5)	17.2
Administrative expenses	(16.5)	(14.9)	11.1	(32.5)	(29.8)	9.1
Loss on exchange rate	(1.6)	(19.0)	(91.60)	-	(11.0)	(100)
Unrealised loss on derivatives	(9.4)	-	100.0	(29.4)	-	100.0
Profit (loss) before financial costs and income tax	59.2	65.1	(9.0)	95.2	74.0	28.7
Finance costs	(0.5)	(0.3)	84.6	(0.8)	(1.0)	(14.7)
Profit (loss) before income tax	58.7	64.8	(9.4)	94.4	73.0	29.3
Income tax	0.7	(8.3)	(108.5)	(4.5)	(6.1)	(26.6)
Net profit (loss) for the period	59.4	56.5	5.1	89.9	66.9	34.3
<i>Gross profit margin (%)</i>	17.7	16.2		16.5	14.8	
<i>Net profit margin (%)</i>	8.0	8.6		6.4	5.4	

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Summary of Financial Performance

Revenues

1. Revenues from Sales

SUN's consolidated total revenues from sales for 2Q21 reached THB 743.3 million, representing an increase of THB 118.4 million or 19.0% over the same period last year. This increase was mainly driven by:

- i) Increased domestic sales from Ready-to-eat products such as Ready-to-eat bagged sweet corn, Roasted Japanese sweet potato, Roasted purple sweet potato, Boiled tiger peanut, Ready-to-eat whole grain, etc. available in convenience stores, restaurants and supermarkets.
- ii) International trade expansion in the Asia-Pacific region such as China, Taiwan and South Korea continues to recover and has expanded overseas markets, especially in the Frozen products category, due to increasing customer base both new customers and existing customers who have ordered 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.
- iii) For other regions such as the Middle East and European Union, there was a decline in orders due to a shortage of containers resulted in higher freight prices during the COVID-19 epidemic.

SUN's consolidated total revenues from sales for 1H21 reached THB 1,397.1 million, representing an increase of THB 158.4 million or 12.8% over the same period last year.

2. Other Income

The consolidated other income for 2Q21 was THB 1.3 million. Representing an increase of THB 0.3 million or 30.9 % over the same period last year.

The consolidated other income for 1H21 was THB 3.6 million. Representing an increase of THB 0.8 million or 30.0% over the same period last year.

3. Gain(Loss) on Exchange rate

The consolidated loss on the exchange rate for 2Q21 was THB 1.6 million, representing an decrease of THB 17.4 million or -91.6% over the same period last year, which was an exchange loss amounting to THB 19.0 million. The THB/USD exchange rate volatility, therefore, the company uses financial instruments such as forward exchange contracts, in appropriate circumstances.

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The consolidated gain on exchange rate for 1H21 was THB 12.8 million. Representing an increase of THB 23.8 million or 216.1% over the same period last year.

Cost of Goods Sold and Gross Profit from Sales

SUN's consolidated gross profit for 2Q21 reached THB 131.2 million. (17.7% of gross profit margin), Representing an increase of THB 30.1 million or 29.8% over the same period last year, which was THB 101.1 million. (16.2% of gross profit margin), This increase was mainly driven by:

- The cost of production per unit in 2Q21 decreased when compared to the same period last year due to higher production capacity, better production efficiency and being able to bring sweet corn into the production line regularly.
- 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.
- Increased sales proportion of ready-to-eat products with high gross margins.
- The company has been affected by the high steel price, which has caused the price of canned containers to rise since the beginning of 2021. However, the company has negotiated with customers and adjusted the selling price better.
- SUN's consolidated gross profit for 1H21 reached THB 230.4 million. (16.5% of Gross Profit Margin), Representing an increase of THB 46.8 million or 25.5% over the same period last year, which was THB 183.6 million. (14.8% of Gross Profit Margin).

Selling Expenses

The consolidated selling expenses for 2Q21 was THB 45.8 million with an increase of THB 9.8 million or 27.1% 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. In addition, the freight rate was higher due to the shortage of containers at the beginning of the year.

The consolidated selling expenses for 1H21 was THB 89.7 million with an increase of THB 13.2 million or 17.2% over the same period last year.

General and Administration Expenses

The consolidated general and administration expenses for 2Q21 was THB 16.5 million with an increase of THB 1.6 million or 11.1 % over the same period last year. This increase was due to (1) the adjustment of annual salary rates and (2) the warehouse rental fees for Can products outside the factory due to the higher inventories.

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The consolidated general and administration expenses for 1H21 was THB 32.5 million with an increase of THB 2.7 million or 9.1% over the same period last year

The unrealised loss on Derivatives

The consolidated Unrealised loss on derivatives for 2Q21 was THB 9.4 million with and decrease of THB 42.3 over the same period last year. The situation of THB is sharply depreciated because of the worsen domestic epidemic and the appreciation of the USD. The company has regularly used the forward foreign exchange contracts to hedge foreign exchange risks and then causing a loss from derivatives. The unrealized loss on derivatives was derived from the fair value measurement of USD 28.9 million of forward foreign exchange contracts at the end of the reporting period.

The consolidated unrealised loss on Derivatives for 1H21 was THB 29.4 million with an decrease of THB 34.3 million over the same period last year

Financial Costs

The consolidated financial costs for 2Q21 were THB 0.5 million, an increase of THB 0.2 million or 84.6% over the same period last year, was mainly due to using the short-term loan from financial institutions for working capital.

The consolidated financial costs for 1H21 was THB 0.8 million, a decrease of THB 0.2 million or 14.7% over the same period last year.

Net Profit and Net Profit Margin

SUN's consolidated net profit for 2Q21 reached THB 59.4 million, an increase of THB 2.9 million or 5.1% 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 2Q21 is at 19.0% (2) Increase in the percentage of sales of ready-to-eat products with high gross margins. (3) Even though it is facing the impact of the high steel price, the canned container price is higher. However, the company has negotiated with customers and adjusted the selling price better. (4) Unit production costs were lower due to higher production capacity and being able to bring sweet corn into the production line regularly. (5) Selling expenses rose due to container shortages and rising freight rates. However the administrative expenses are still well controlled. (6) Derivative losses caused by the baht depreciated sharply as a result of the worsening domestic epidemic and the appreciation of the US dollar.

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The consolidated net profit margin for 2Q21 represented 8.0%, decreasing from the same period last year, which was 8.6% of net profit margin as the same above-mentioned factors.

SUN's consolidated net profit for 1H21 reached THB 89.9 million, an increase of THB 23.0 million or 34.3% over the same period last year.

The consolidated net profit margin for 1H21 represented 6.4%, increasing from the same period last year, which was 5.4% of net profit margin.

Yours sincerely

(Mr. Vira Nopwattanakorn)

Chief Finance Officer

Sunsweet Public Company Limited

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