Tipco 015/2020

Revised

Management Discussion and Analysis Tipco Foods Public Company Limited

For the Three-month and nine-month Period ended September 30, 2020

1. Consolidated statement of comprehensive income ended September 30, 2020

Unit : Thousand Baht

Statement of comprehensive income	Consolidated financial statements		Changes		Consolidated financial statements		Changes	
	Q3 2020	Q3 2019	Increase (Decrease)	%	For the nine-month 2020	For the nine-month 2019	Increase (Decrease)	%
Sales	558,782	857,789	(299,007)	(35%)	1,953,433	2,776,608	(823,175)	(30%)
Other income	17,541	28,666	(11,125)	(39%)	60,554	107,646	(47,092)	(44%)
Total revenues	**576,323**	**886,455**	**(310,132)**	**(35%)**	**2,013,987**	**2,884,254**	**(870,267)**	**(30%)**
Total expenses	645,271	979,552	(334,281)	(34%)	2,258,091	3,187,695	(929,604)	(29%)
Loss before share of profit (loss) from investment in associate, finance cost and income tax expenses	**(68,948)**	**(93,097)**	**24,149**	**26%**	**(244,104)**	**(303,441)**	**59,337**	**20%**
Share of profit (loss) from investment in associate	436,444	166,872	269,572	162%	650,339	582,530	67,809	12%
Profit (loss) before finance cost and income tax expenses	**367,496**	**73,775**	**293,721**	**398%**	**406,235**	**279,089**	**127,146**	**46%**
Finance cost	(11,484)	(18,086)	(6,602)	(37%)	(39,940)	(53,187)	(13,247)	(25%)
Profit (loss) before income tax expenses	**356,012**	**55,689**	**300,323**	**539%**	**366,295**	**225,902**	**140,393**	**62%**
Income tax benefit (expenses)	(20,406)	3,675	24,081	655%	(7,406)	4,067	11,473	282%
Profit (loss) for the period	**335,606**	**59,364**	**276,242**	**465%**	**358,889**	**229,969**	**128,920**	**56%**

1.1 Sales and service income

Unit : Million Baht

Consolidated financial statements	Product of vegetable and fruit		Changes		Beverage		Changes		Other		Changes		Consolidated financial statements		Changes	
	Q3 2020	Q3 2019	Increase (Decrease)	%	Q3 2020	Q3 2019	Increase (Decrease)	%	Q3 2020	Q3 2019	Increase (Decrease)	%	Q3 2020	Q3 2019	Increase (Decrease)	%
Sales	115	366	(251)	(69%)	440	484	(44)	(9%)	4	8	(4)	(50%)	559	858	(299)	(35%)

In the 3rd quarter of 2020, the Company and its subsidiaries reported Sales of Baht 559 million, decreased by 35% compared to the same period of last year. This was mainly due to Product of vegetable and fruit business, which saw a 69% drop in sales from the lower export volume from the lack of raw materials due to drought conditions and the demand for goods abroad decelerated from the coronavirus situation 2019 (COVID-19). Beverage business saw a 9% drop in sales revenue, related to a slowdown in domestic purchasing power affected by COVID-19.

Unit : Million Baht

Consolidated financial statements	Product of vegetable and fruit		Changes		Beverage		Changes		Other		Changes		Consolidated financial statements		Changes	
	For the nine-month 2020	For the nine-month 2019	Increase (Decrease)	%	For the nine-month 2020	For the nine-month 2019	Increase (Decrease)	%	For the nine-month 2020	For the nine-month 2019	Increase (Decrease)	%	For the nine-month 2020	For the nine-month 2019	Increase (Decrease)	%
Sales	511	1,186	(675)	(57%)	1,428	1,561	(133)	(9%)	14	30	(16)	(53%)	1,953	2,777	(824)	(30%)

For the nine-month period, the Company and its subsidiaries reported Sale and service income of Baht 1,953 million, decreased by 30% from the same period last year, this was mainly due to the drop in sales of fruit and vegetable products business due to the lack of raw materials and beverage business from the situation of COVID-19.

1.2 Operating Expense

Unit : Thousand Baht

Expenses	Consolidated financial statements		Changes		Consolidated financial statements		Changes	
	Q3 2020	Q3 2019	Increase (Decrease)	%	For the nine-month 2020	For the nine-month 2019	Increase (Decrease)	%
Cost of sales	453,070	749,818	(296,748)	(40%)	1,628,520	2,502,492	(873,972)	(35%)
Selling distribution expenses	73,110	115,677	(42,567)	(37%)	233,260	342,886	(109,626)	(32%)
Administrative expenses	119,091	114,057	5,034	4%	365,047	342,317	22,730	7%
Other expenses	-	-	-	0%	31,264	-	31,264	100%
Total expenses	**645,271**	**979,552**	**(334,281)**	**(34%)**	**2,258,091**	**3,187,695**	**(929,604)**	**(29%)**

In the 3rd quarter of 2020, the Company and its subsidiaries reported total operating expense of Baht 645 million decreased by 34% compared to the same period of last year, which can be explained as follows

- Cost of sales decreased by 40%, in line with decreasing in sales volume due to the shortage of raw materials.
- Selling and distribution expenses decreased by 37% from adjusting sales and promotion expenses in accordance with market conditions.
- An increasing in administrative expenses by 4%

For the nine-month, the Company and its subsidiaries reported total Operating Expense of Baht 2,258 million decreased by 29% compared to the same period last year, mainly due to the following reasons

- Cost of sales decreased by 35%, in line with decreasing in sales volume.
- Selling and distribution expenses decreased by 32% from controlling expenses in accordance with a decrease in sales income.
- An increasing in administrative expenses by 7% mainly impacted from adjusting the calculation of depreciation for assets and additional expenses on production in the product of vegetable and fruit due to the shortage of raw materials.
- Other expenses were reversal of allowance for Loss on exchange of Baht 31 million due to the Baht appreciation in the 1st quarter and the 2nd quarter.

1.3 Share of profit from investment in associate

In the 3rd quarter of 2020, the Company reported share of loss from investment in associate of Baht 436 million increased by 162% compare to the same period of last year. For the nine-month, the Company and its subsidiaries reported share of loss from investment in associate of Baht 650 million increased by 12% compare to the same period of last year.

In September 2020, the US State Department requested the associate to wind down crude oil procurement from Venezuela that has been the key source of crude oil that the associate used as a raw material for the production of about half of all asphalt products volume sold each year. In order to avoid a potential US sanction, the associate decided to comply with the request and informed the US State Department in writing that the associate would cease purchasing crude oil from this source, effective by the end of November 2020. The transactions were not in violation of any applicable laws related to the sanction. The associate therefore continued to operate business as usual.

The associate is in the process of considering various mitigation initiatives as follows:

1.3.1 The associate will continue its ongoing efforts to source alternative crude oil/feedstock, not limited to only oil producers but any oil trading companies.

1.3.2 The associate will procure asphalt from regional refineries to support its international trading activities.

1.4 Finance cost

In the 3rd quarter of 2020, the Company and its subsidiaries reported Finance cost of Baht 11 million. For the nine-month, the Company and its subsidiaries reported Finance cost of Baht 40 million decreased from the previous year by 25% compare to the same period of last year.

2. Consolidated statement of financial position as at 30 September 2020

Unit : Thousand Baht

Statement of financial position	Consolidated financial statements		Changes	
	30-Sep-20	31-Dec-19	Increase (Decrease)	%
Assets				
Current assets	890,818	1,256,513	(365,695)	(29%)
Non-current assets	5,521,636	5,412,490	109,146	2%
Total assets	**6,412,454**	**6,669,003**	**(256,549)**	**(4%)**
Liabilities and shareholders' equity				
Liabilities				
Current liabilities	1,436,921	1,844,008	(407,087)	(22%)
Non-current liabilities	761,605	918,201	(156,596)	(17%)
Total liabilities	**2,198,526**	**2,762,209**	**(563,683)**	**(20%)**
Shareholders' equity				
Total shareholders' equity	4,213,928	3,906,794	307,134	8%
Total liabilities and shareholders' equity	**6,412,454**	**6,669,003**	**(256,549)**	**(4%)**

2.1 Asset

As of September 30, 2020, the Company and its subsidiaries had total assets of Baht 6,412 million, a decrease of 4% from the end of 2019. Current assets decreased by Baht 366 million or 29% mainly due to the decrease in Inventories and accounts receivable. While non-current assets increased by Baht 109 million or 2% due to the increase in Investment in associate.

2.2 Liabilities

As of September 30, 2020, the Company and its subsidiaries had total liabilities of Baht 2,199 million, a decrease of 20% from the end of 2019, with the main changes from current liabilities decreased by Baht 407 million or 22% due to the decrease in short-term loans and trade and other payables. Non-current liabilities decreased by Baht 156 million or 17% due to a decrease in long-term loan.

2.3 Shareholders' equity

As of September 30, 2020, Total Shareholders' Equity of the Company and its subsidiaries was Baht 4,214 million increased by 8% from the end of 2019, mainly due to an increase in unappropriated retained earnings.

3. Consolidated cash flow statement for the 9-month period ended September 30, 2020

Unit : Thousand Baht

Cash flow statement	Consolidated 30-Sep-20
Cash flows from operating activities	
Net cash flows from operating activities	148,821
Cash flows from investing activities	
Net cash flows from investing activities	441,986
Cash flows from financing activities	
Net cash flows used in financing activities	(580,293)
Net increase in cash and cash equivalents	**10,514**
Cash and cash equivalents at beginning of period	41,336
Cash and cash equivalents at end of period	**51,850**

As of September 30, 2020, the Company and subsidiaries had an increase in net cash and cash equivalents Baht 11 million, with the company and its subsidiaries had net cash flow from operating activities of Baht 149 million. Net cash flow from investing activities was Baht 442 million, mainly from dividend received from associate. Net cash flow used in financing activities of Baht 580 million from repayment of short-term loan and long-term loans from financial institutions and dividend paid.

4. Financial Ratio from consolidated financial statement for the ended September 30, 2020

Profitability ratios	Consolidated financial statements For the nine-month 2020	 For the nine-month 2019	Changes
Gross Profit Margin	17%	10%	7%
EBITDA Margin	34%	16%	18%
Net Profit Margin	18%	8%	10%
Return on Equity	9%	6%	3%
The Capacity to pay and liquidity ratios	**30-Sep-20**	**31-Dec-19**	**Changes**
Debt to equity ratio (Times)	0.52	0.71	(0.19)
Liquidity ratio (Times)	0.62	0.68	(0.06)

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