

Management Discussion and Analysis Translation  
For the 6 month ended June 30, 2022 and June 30,2021  
Operating and Financial Status

Overview

In the first half of 2022, The conflict continuation of Russia - Ukraine war, the volatility of oil price with increasly trend of higher oil price. Resulted in higher freight rates, it is pushed up main raw materials prices from aboard and local raw material prices. Our company continue to concentrate on managing supply of packaging and energy cost.

Operating results of the company for the 6 month periods ended June 30, 2022, net profit decreased by 10.94% or decreased Bt. 33.28 million when compared to 2021.

Total sales for the 6 month periods in 2022 amounted to Bt. 1,532.05 million, increased of 2.43% or increased Bt. 36.37 million when compared to 2021.

Export sales for the 6 month periods in 2022 amounted to Bt. 171.24 million, decreased of 0.81% or decreased Bt. 1.40 million when compared to 2021.

Cost of sales for the 6 month periods in 2022 amounted to Bt. 1,019.34 million, increased of 9.28% or increased Bt. 86.55 million. Due to the price of main raw materials, packaging and energy rapidly increase higher than our projection of production cost.

Distribution costs for the 6 month periods in 2022 amounted to Bt. 130.94 million, increased of 7.64% or increased Bt. 9.29 million. Mainly due to the increase in transportation costs of 2.65% or increased of Bt. 1.65 million and sales promotion expenses an increased of 14.61% or an increased of Bt. 5.17 million. The company continue to manage marketing expenses.

Administrative expenses for the 6 month periods in 2022 amounted to Bt. 79.73 million, decreased of 2.03% or decreased Bt. 1.65 million, resulting from lower cost of unused assets.



(in million Baht)	2021			2022			2021			2022		
	Apr. - Jun.	%	Apr. - Jun.	%	Change	Jan. - Jun.	%	Jan. - Jun.	%	Change		
Domestic Sales	507.90	72.71	584.63	76.87	76.73	15.11	1,159.30	76.75	1,180.04	76.24	20.74	1.79
Industrial Sales	86.87	12.44	80.41	10.57	(6.46)	(7.44)	160.98	10.66	170.19	11.00	9.21	5.72
Sales to associate	12.27	1.76	15.95	2.10	3.68	29.99	17.55	1.16	26.23	1.69	8.68	49.46
Export Sales	91.47	13.10	79.53	10.46	(11.94)	(13.05)	172.64	11.43	171.24	11.06	(1.40)	(0.81)
<b>Total</b>	<b>698.51</b>	<b>100.00</b>	<b>760.52</b>	<b>100.00</b>	<b>62.01</b>	<b>8.88</b>	<b>1,510.47</b>	<b>100.00</b>	<b>1,547.70</b>	<b>100.00</b>	<b>37.23</b>	<b>2.46</b>
Less volume rebates	(5.76)	(0.83)	(7.45)	(0.98)	(1.69)	29.34	(14.79)	(0.98)	(15.65)	(1.01)	(0.86)	5.81
<b>Net Sales</b>	<b>692.75</b>	<b>99.17</b>	<b>753.07</b>	<b>99.02</b>	<b>60.32</b>	<b>8.71</b>	<b>1,495.68</b>	<b>99.02</b>	<b>1,532.05</b>	<b>98.99</b>	<b>36.37</b>	<b>2.43</b>
Cost of Sales	436.73	63.04%	504.15	66.95%	67.42	15.44	932.79	62.37%	1,019.34	66.53%	86.55	9.28
Gross profit	256.02	36.96%	248.92	33.05%	(7.10)	(2.77)	562.89	37.63%	512.71	33.47%	(50.18)	(8.91)
Distribution Expenses	56.10	8.10%	64.18	8.52%	8.08	14.40	121.65	8.13%	130.94	8.55%	9.29	7.64
Administrative Expenses	39.43	5.69%	39.71	5.27%	0.28	0.71	81.38	5.44%	79.73	5.20%	(1.65)	(2.03)
<b>Net Profit</b>	<b>136.62</b>	<b>19.72%</b>	<b>137.38</b>	<b>18.24%</b>	<b>0.76</b>	<b>0.56</b>	<b>304.21</b>	<b>20.34%</b>	<b>270.93</b>	<b>17.68%</b>	<b>(33.28)</b>	<b>(10.94)</b>
Earning Per Share	0.38		0.38				0.85		0.75			

## Operating Analysis

### Profitability

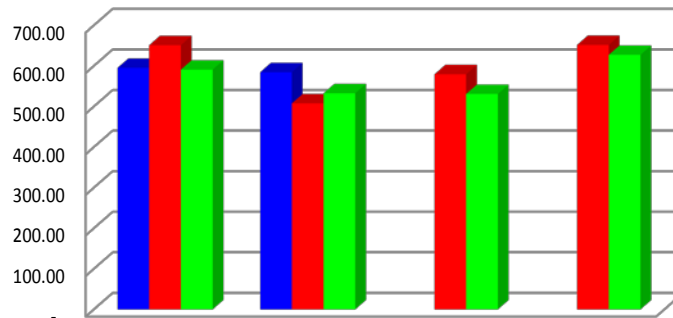
Thai Theparos Plc's net profit for 3 month periods ended June 30, 2021 and June 30, 2022 as follow:-

The company's net profit in Q2/2022 is 6.90% decreased than Q2/2021 by 0.56% or Bt. 0.76 million.

Domestic sales in Q2/2022 increased 15.11% than in Q2/2021 or increased by Bt. 76.73 million, an increased from credit traditional sales of 14.69% or Bt. 32.88 million, modern trade distribution channel an increased of 20% or Bt. 37.42 million and distribution channels for trading firm increased of 16.98% or Bt. 7.35 million.

Easing of international travelers, including the epidemic situation of COVID-19 epidemic situation in the country that tends to be better there are more tourists resulted in more spending.

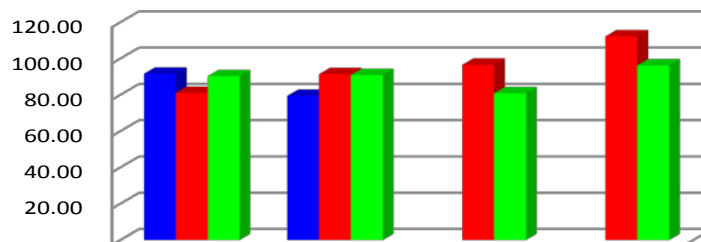
**Domestic sales by Quaterly (Million Bt.)**



	Q1	Q2	Q3	Q4	ANNUAL
2022	595.41	584.63	-	-	1,180.04
2021	651.40	507.90	579.54	651.97	2,390.81
2020	590.92	532.82	531.01	627.40	2,282.15

Export sales for the 3 month periods ended June 30, 2021 and June 30, 2022 decreased 13.05% or Bt. 11.94 million. Border customers order less such as unrest situation in Myanmar , Laos economic problem causing KIP currency crisis, resulted in lower purchasing power.

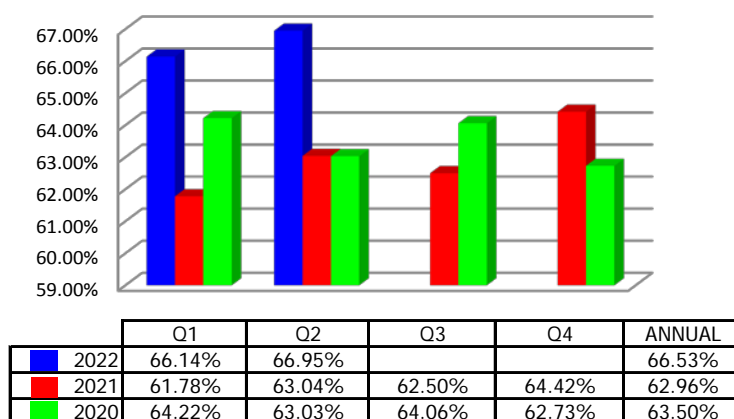
**Export sales by Quarterly (Million Bt.)**



	Q1	Q2	Q3	Q4	ANNUAL
2022	91.71	79.53	-	-	171.24
2021	81.17	91.47	96.64	112.29	381.57
2020	90.33	90.98	80.93	96.31	358.55

Sales to associates for the 3-month periods ended June 30, 2021 and June 30, 2022. The company had sales of products to Exter (Thailand) Limited in Q2/2022, increased by 29.99% from that of Q2/2021, or Bt. 3.68 million. Exter (Thailand) Limited has increased sales of raw materials to parent company. Due to Europe has a shortage of raw materials in the warehouse not enough for production. As a result, the product was sold to Exter B.V. Limited in Q2/2022. (Q2/2021, no exports to Exter B.V. Limited )

#### Cost of goods sold (% of sales) by Quarterly



Cost of goods sold increased 3.91% of total sales from 63.04% of total sales in Q2/2021 to 66.95% in Q2/2022. As raw material and energy costs more than expected.

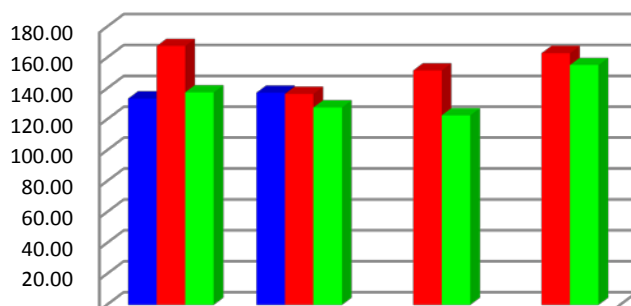
The distribution expenses of sales decreased 0.42% of total sales from 8.10% of total sales in Q2/2021 to 8.52% in Q2/2022. Due to the increased in transportation costs and more promotional activities, which the Company was able to control to a certain extent.

The administrative expenses decreased 0.42% of total sales from 5.69% of total sales in Q2/2021 to 5.27% in Q2/2022.

Sauce has earnings before income tax (EBT) for 3 month periods ended June 30, 2021 and June 30, 2022, as follows:-

	Q2/2021	Q2/2022	Change	%
	Apr. - Jun.	Apr. - Jun.		
Earning before income tax expense (Million baht)	169.83	171.48	1.65	0.97
EBT Margin	24.24%	22.04%	(2.20)%	

**Net profit(Million Bt.) by Quarterly**



	Q1	Q2	Q3	Q4	Annual
2022	133.55	137.38	-	-	270.93
2021	167.59	136.62	151.79	162.93	618.93
2020	137.59	127.80	122.74	155.28	543.41

Thai Theparos Plc's net profit for 6 month periods ended June 30, 2021 and June 30, 2022, the company's net profit in 2022, decreased 10.94% from the year 2021 or Bt. 33.28 million.

The domestic sales in 2022 increased from the year 2021 by 1.79% or Bt. 20.74 million, traditional trade sales channel increased by 1.67% or Bt. 8.83 million, modern trade distribution channels increased by 4.14% or Bt. 17.22 million. The gallon and 1 liter bottle products have increased in sales to food service customers. A new restaurants opened to replace of the restaurants closed down. This gives consumers more options to eat out.

Export sales decreased by 0.81% or Bt. 1.40 million from year 2021.

Sales to associates for the 6-month periods ended June 30, 2021 and June 30, 2022. The company had sales of products to Exter (Thailand) Limited in Q2 / 2022, increased by 49.46% than in Q2 / 2021, or Bt. 8.68 million.

(Million Baht)	2021	2022	Change	%
	Jan.-Jun.	Jan.-Jun.		
Exter (Thailand)	17.55	26.23	8.68	49.46

Cost of goods sold increased from 62.37% of total sales in 2021 to 66.53% of total sales in 2022, an increased of 4.16% or Bt. 86.55 million.

Distribution expenses increased from 8.13% of total sales in 2021 to 8.55% of total sales in 2022, an increased of 0.42% or Bt. 9.29 million.

The administrative expenses decreased from 5.44% of total sales in 2021 to 5.20% of total sales in 2022, an decreased of 0.24% or Bt. 1.65 million.

Sauce has earnings before income tax (EBT) for 6 month periods ended June 30, 2021 and June 30, 2022, as follows:-

	2021	2022	Change	%
	Jan. - Jun.	Jan. - Jun.		
Earning before income tax expense	378.52	338.47	(40.05)	(10.58)
EBT Margin %	25.04	21.61	(3.43)	(13.70)



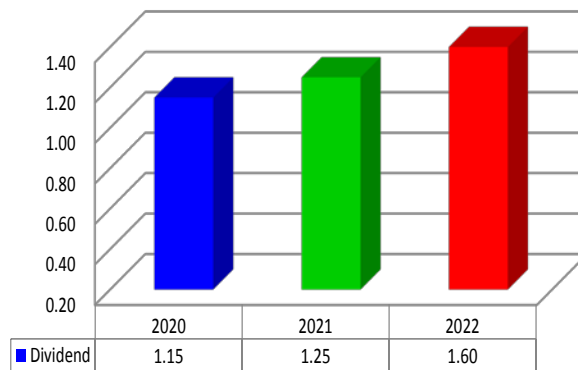
### Dividend Policy

Minimum of 50% of net profit annually and will be paid in next year.

At the annual general meeting of the shareholders of the Company held on 22 April 2022, the shareholders approved the appropriation of dividend for 2021 amounting 360 million shares, operation of Bt. 1.60 per share, amounting to Bt. 576 million (payout ratio 93.06% ). An investor must be listed on May 5, 2022 to be eligible for dividend payout. The payment of dividend to share holder is set to be on May 18, 2022.

	2021	2022	Change	%
Net profit (Last year)	543.41	618.93	75.52	13.90
Dividends paid ( Million Baht)	450.00	576.00	126.00	28.00
Dividends per share (Baht)	1.25	1.60	0.35	28.00
Dividends pay out (%)	82.81	93.06	10.25	

Dividend payment by Annually (Baht)



Report and Analysis of Financial PositionFinancial StructureDebt Equity Ratios

In 2022 the debt equity ratio was 0.14 which higher than 0.11 in 2021. The financial structure insignificant to the financial status most liabilities being current liabilities

	December 31,		June 30,	
	2021		2022	
	Million Baht	%	Million Baht	%
Total liabilities	317.21	10.16	341.22	12.02
Equity	2,803.42	89.84	2,498.34	87.98
<b>Total assets</b>	<b>3,120.63</b>	<b>100.00</b>	<b>2,839.56</b>	<b>100.00</b>
Trade accounts payable	100.29	3.21	140.40	4.93
Income tax payable	76.80	2.46	64.38	2.27
Other accounts payable	89.46	2.87	81.48	2.87
Non current liabilities	50.66	1.62	54.96	1.94
<b>Total liabilities</b>	<b>317.21</b>	<b>10.16</b>	<b>341.22</b>	<b>12.02</b>
Issued and paid-up share capital	360.00	11.54	360.00	12.68
Premium on ordinary shares	615.60	19.73	615.60	21.68
Fair value change in investment	-	-	-	-
Legal reserve retained earning	60.00	1.92	60.00	2.11
Unappropriated retained earning	1,767.82	56.65	1,462.74	51.51
<b>Total equity</b>	<b>2,803.42</b>	<b>89.84</b>	<b>2,498.34</b>	<b>87.98</b>

The company has no debt from loans. The company uses most of its capital structure from shareholders' equity.



Liquidity

Cash flows decreased due to dividend payment in Q2

(Million Baht)	June 30,2021	June 30,2022	Change	%
Cash flows from operating activities	398.78	263.81	(134.97)	(33.85)
Net cash uses in investment activities	(3.57)	23.63	27.20	(761.90)
Net cash uses in financing activities	(450.00)	(576.26)	(126.26)	28.06
Net increase (decrease) in cash and cash equivalents	<b>(54.79)</b>	<b>(288.82)</b>	<b>(234.03)</b>	<b>427.14</b>

(Million Baht)	Dec.31,2021	June 30,2022	Change	%
Current assets	1,982.65	1,692.46	(290.19)	(14.64)
Current liabilities	266.55	286.25	19.70	7.39
Current ratio (Time)	<b>7.44</b>	<b>5.91</b>	<b>(1.53)</b>	<b>(20.51)</b>

Current ratio

In 2022 is 5.91 times, decreased from 7.44 times in 2021. Due to the company's current assets decreased Bt. 290.19 million. Most of which were cash and cash equivalents of Bt. 288.81 million, temporary investments of Bt. 70.26 million and current liabilities increased by Bt. 19.71 million, mainly is trade accounts payable in the amount of Bt. 40.11 million. The stock of raw materials increased during in Q2/2022 and the packaging. especially raw materials that must be imported from abroad. Overall, the company's liquidity is very high.

However, the company has strictly adhered to the financial management policy. You can see that the company has a high working capital ratio, there is no liquidity problem. As of June 30, 2022, the company has cash and cash equivalents of over Bt. 382.24 million and still has overdraft loan facility. That has not been used from large banks more than 92.50 million baht to support the need for emergency funds.

The ability to pay debt and practice according to the loan

The company has no debt resulting from loan of any kind. Most of liabilities are from trade account payable and accrued expenses. The company has performed its duty as a good debtor and paid debt in accordance with customer's trade agreement.



## Quality of Assets

### Change in Assets

As at June 30, 2022 Sauce has Bt. 2,839.56 million of total assets, the growth decreased 9.01% compare to total assets of Bt. 3,120.63 million as at December 31, 2021.

(Million Baht)	Dec. 31, 2021	June 30, 2022	Change	%
Current assets	1,982.65	1,692.47	(290.18)	(14.64)
Non current assets	1,137.98	1,147.09	9.11	0.80
<b>Total assets</b>	<b>3,120.63</b>	<b>2,839.56</b>	<b>(281.07)</b>	<b>(9.01)</b>
Current assets / Total assets	% 63.53	59.60	(3.93)	
Non current assets / Total assets	% 36.47	40.40	3.93	
Total assets	% <b>100.00</b>	<b>100.00</b>	-	

As at June 30, 2022, Sauce has current assets and non-current assets. accounted for 59.60% and 40.40% of total assets, respectively. Compared to 63.53% and 36.47% as at December 31, 2021.



Company's policy to set the commercial credit (term)

The company categorizes sales as follows:

1. Sell cash
2. Sell on credit
  - Credit traditional sales and Export sales give credit 30-45 days.
  - Modern trade and Industrial have 60 days of credit.

Million Baht		31-Mar-22	30-Jun-22	Change	%
Net / Sales		778.98	753.07	(25.91)	(3.33)
Trade accounts receivable -Net		317.84	344.53	26.69	8.40
Average trade receivables		330.87	331.19	0.32	0.10
Accounts receivable Turnover/ Quarter	Times	2.35	2.27	(0.08)	(3.40)
Average debt Collection Period	Days	39	40	1.00	2.56
Inventories Turnover Period	Days	80	86	6.00	7.50
Repayment Period	Days	19	23	4.00	21.05
Cash Cycle Period	Days	100	103	3.00	3.00

In Q2/2022, payment is tracked and credit is carried out strictly to customers.

Overall, the average trade accounts receivable in Q2/2022, the payment was delayed in Q1/2022

Due to delivery to customers at the end of the month. The salesperson is still unable to bill the accounting period. Accounting for 0.10% of average trade accounts receivable compared to net sales. Which looked at the period of debt collection increased from 39 days to 40 days.



## Main Part of Assets

	December 31,		June 30,	
	2021		2022	
	Million Baht	%	Million Baht	%
Property, plant and equipment	853.32	27.34	851.28	29.98
Inventories	452.58	14.50	497.18	17.51
Cash and cash equivalent	671.05	21.50	382.24	13.46
Current investments	417.93	13.39	347.68	12.24
Trade accounts	343.89	11.02	344.53	12.13
Unused land	189.90	6.09	204.07	7.19
Advance payment for raw materials	79.70	2.55	84.88	2.99
Other long-term investment	40.38	1.29	40.29	1.42
Investments in associates	25.41	0.81	26.71	0.94
Other receivables	4.77	0.14	22.70	0.80
Deferred tax assets	14.98	0.48	12.11	0.43
Other current assets	10.73	0.37	11.26	0.40
Long-term loans to associate	7.00	0.22	6.00	0.21
Bank deposits under commitment	4.59	0.15	4.85	0.17
Current portion of loan to associate	2.00	0.06	2.00	0.07
Intangible assets	1.75	0.06	1.07	0.04
Other non-current assets	0.65	0.03	0.71	0.02
<b>Total assets</b>	<b>3,120.63</b>	<b>100.00</b>	<b>2,839.56</b>	<b>100.00</b>



For trade receivables, adequate allowance for doubtful accounts has been made based on the facts as of 30 June 2022, we have allowance for doubtful accounts amounting to Bt. 4.41 million, equal to Bt. 4.41 million as of December 31, 2021.

(Million Baht)	Dec. 31, 2021	June 30, 2022	Change	%
Related parties	11.92	23.80	11.88	99.66
Other parties	336.38	325.14	(11.24)	(3.34)
<b>Total</b>	<b>348.30</b>	<b>348.94</b>	<b>0.64</b>	<b>0.18</b>
Less allowance for doubtful accounts	(4.41)	(4.41)	-	-
<b>Net trade accounts receivable</b>	<b>343.89</b>	<b>344.53</b>	<b>0.64</b>	<b>0.19</b>

Inventories no deterioration or obsolescence

(Million Baht)	Dec. 31, 2021	June 30, 2022	Change	%
Finished goods	74.12	99.18	25.06	33.81
Work in progress	148.33	154.40	6.07	4.09
Raw materials	212.24	233.62	21.38	10.07
Raw materials in transit	18.30	10.64	(7.66)	(41.86)
Supplies	0.73	0.40	(0.33)	(45.21)
Less allowance for decline in value	(1.14)	(1.06)	0.08	(7.02)
<b>Total inventories</b>	<b>452.58</b>	<b>497.18</b>	<b>44.60</b>	<b>9.85</b>

Inventories of finished goods, work in process, and raw materials & packages are increased. Due to raw material costs increased but the quantity was no different from last year.

Long-term investment will be due in 2029 for the amount of Bt. 40 million.

(Million Baht)	Dec. 31, 2021	June 30, 2022	Change	%
Debentures	40.00	40.00	-	-
Investment in marketable equity security	0.38	0.29	(0.09)	(23.68)
<b>Total long-term investment</b>	<b>40.38</b>	<b>40.29</b>	<b>(0.09)</b>	<b>(0.22)</b>

Allowance for impairment losses

Unused land

(Million Baht)	Dec. 31,2021	June 30,2022	Change	%
Unused land at cost	204.07	204.07	-	-
Less allowance for impairment losses	(14.17)	-	14.17	(100.00)
<b>Net</b>	<b>189.90</b>	<b>204.07</b>	<b>14.17</b>	<b>7.46</b>

The company has the land not used in operations which had been acquired for the purpose of plant expansion in 1994. The company had reconsidered the purpose and cancelled the expansion project since current plant is able to support the growth of the company.

According to the appraisal report of an independent appraiser dated July 6, 2022, the independent appraised the land that has not been used to operate the company using the market price comparison method.

The Company recorded the reversal of the allowance for impairment losses to Bt. 14.17 million as other income in the statement of comprehensive income in Q2.

Tanawat Winyarat  
(Mr. Tanawat Winyarat)  
Deputy Managing Director