



Thai President Foods Public Company Limited

Management Discussion and Analysis

For the year ended 31 December 2022

1. Analysis Of Financial Position and Operating Results

1.1 Business Overview

2022 was the year that the economy began to show signs of recovery from the COVID-19 pandemic that had affected the economy for more than 2 years. Though the economic situation in Thailand began to recover, the purchasing power continued to decelerate due to many factors such as inflation and rising cost of living. The total market value of noodles and instant noodles in 2022 (Source: Nielsen (Thailand) : October 2022) is approximately 17,106 million baht, growing 12.2 % from the previous year. Part of this comes from the adjustment of the retail price of instant noodles during the third quarter of 2022 , where the Mama brand was able to maintain its number one position with a total market share of 49 %.

Overall business operations of the company throughout the year 2022 have been affected by the price of palm oil, which is the main raw material used in the production of noodles and instant food products, has doubled since the end of 2021, resulting in higher cost of sales for all the company's products. Noodles and instant food products are the main income of Thai President Foods Plc where the proportion of sales is half of the total sales revenue. In addition, instant noodle products' retail prices in Thailand are controlled by the Department of Internal Trade, Ministry of Commerce. However, the Department of Internal Trade had permitted the company to gradually adjust the retail price of instant noodles during the third quarter in order to minimize the impact on consumers. As for the export sales, there is no regulation on retail price control. The company was positively affected by the depreciation of the baht, resulting in the year 2022, the company had sales revenue of 26,481.73 million baht, growing from the year 2021 by 8.28 % and net profit attributable to the company's shareholders in the amount of 2,785.92 million baht, a decrease from 2021, 22.06 %.

2022 was a special year for the company. Thai President Foods Public Company Limited, for its 50th anniversary of operation, the company organized a campaign "MAMA 50th Year Celebration" by combining 3 legendary flavors and styles of MAMA instant noodles in a special collection pack which included Instant Noodles Chicken Khao Soi Flavor, Instant Whole Wheat Noodles Black Pepper Pork Flavor, and Instant Dried Jade Noodles Roasted Duck Flavor. In addition, the company has developed new products that are health focused by increasing nutritional value with Less Sodium formula for MAMA brand instant



noodle products in 3 flavors: Shrimp Tom Yum Flavor, Minced Pork Flavor, and Shrimp Creamy Tom Yum Flavor ; along with an instant vermicelli brand in 1 flavor, Instant Rice Vermicelli Clear Soup, to support the demand of new generation of consumers.

As for the strategy for the next 5 decades, the company continues to operate its business by continuously managing the risk of the price of main raw materials as well as closely monitoring factors that affect such changes. The company will focus on developing premium products with high nutritional value and conserving the environment by adjusting the design and package size to be more suitable so as to meet the trends of modern consumers both domestically and internationally. The company also plans to expand investments abroad as a step into the "global market".

1.2 Operating Results

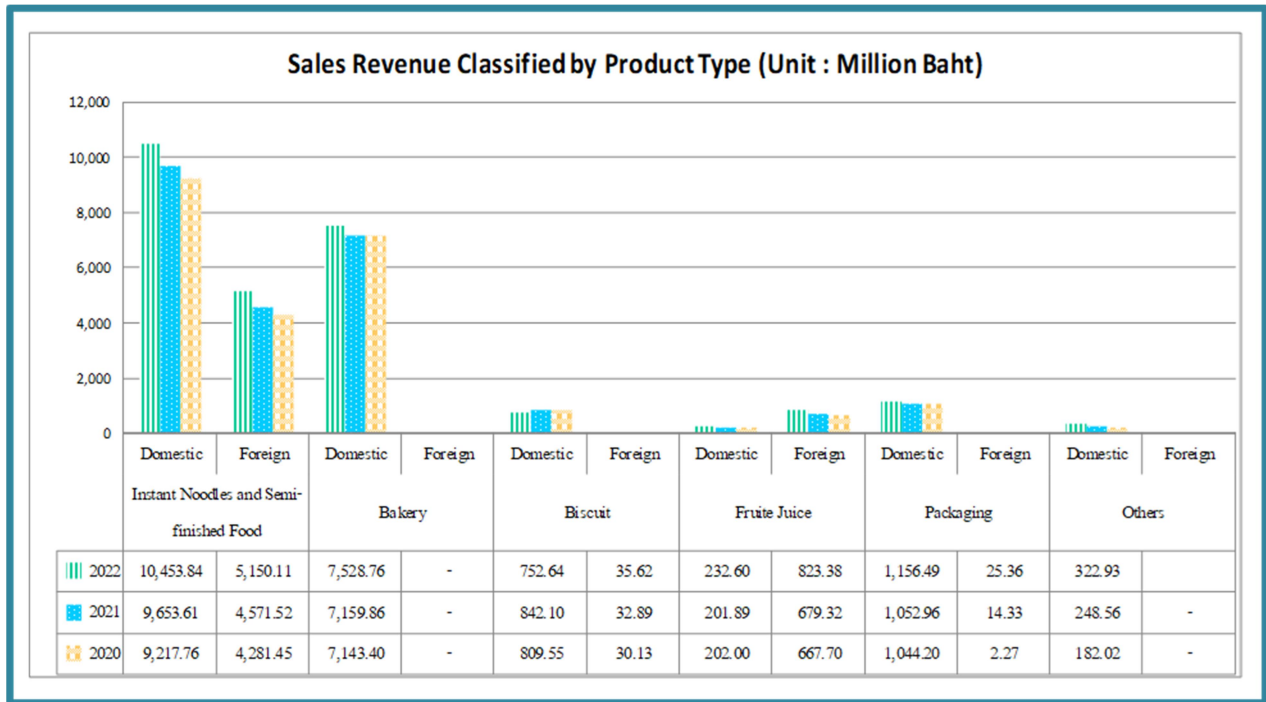
For the operating result of ended December 31, 2022 with the Statement of Comprehensive Income presented as below.

Unit : Million Baht				
Performance (Million Baht)	2022	2021	Change	%
Total Revenues*	27,429.11	25,410.23	2,018.88	7.95
Sales	26,481.73	24,457.04	2,024.69	8.28
Cost of sales	18,876.24	16,126.93	2,749.31	17.05
Cost of sales to sales revenue ratio	71.28%	65.94%	5.34%	0.00
Selling and Administrative expenses	3,965.24	3,873.73	91.51	2.36
Selling and administrative expenses to sales revenue ratio	14.97%	15.84%	(0.87%)	0.00
Share of profit from investments in associates and joint venture	164.17	237.73	(73.56)	(30.94)
Net Profit of Equity Holders of the Company	2,785.92	3,574.64	(788.72)	(22.06)
Net Profit Margin (%)	10.16%	14.07%	(3.91%)	0.00
Earnings per Share	8.45	10.84	(2.39)	(22.05)

* Total revenues included the Share of profit from investments in associates and joint venture and Finance Income

■ Sales Revenue

The Company achieves total sales income for the year 2022 at the amount of Baht 26,481.73 million, increasing by Baht 2,024.69 million or 8.28 % as compared to the same period of the year 2021. The sales volume for the Company only (TFMAMA) has an increasing growth from the same period of the previous year by 7.62 %.



Instant Noodles and Semi-finished Food

Domestic Market

The growth rate for the year ended on December 31st, 2022, at 8.29 % when compared to the previous year, in which instant noodles had increased 6.80 % from the growth of instant cup noodles. The white noodles, porridge and boiled rice have grown by 27.72 % which is due to the COVID-19 situation relief, people have confidence to spend and consume more.

International Market

The growth rate for the year ended December 31, 2022 was 12.66% compared to the previous year. Instant noodles grew 10.59 % and white noodles, porridge and boiled rice saw sales increase of 22.36 % as a result of price adjustments in order to compensate with the higher raw material and production costs. Additionally, the sales value increased from the Thai baht depreciating, and the freight charge has decreased in the third quarter of 2022 and gradually declined throughout the fourth quarter of 2022, affecting the increase in European sales in the second half of the year.



Other Products

The sales of Bakery products for the year ended on December 31st, 2022, with an increase of 5.15 % when compared to the previous year, resulting from the selling prices adjustment in order to compensate with the higher raw material costs. The packaging products sales increase by 10.73 % grow from foreign sales which has benefit from the baht depreciation. The fruit juice products sales increased by 19.83 %, while the biscuits decreased sales by 9.91 % resulting from the increase in sales prices in the second half of the year 2022, which reduced its sales volume in the Traditional Trade channel.

■ Cost of Sales

Cost of sales for the year 2022 accumulated to 18,876.24 million Baht, which is an increase of 2,749.31 million Baht or 17.05 % when compared to the same period of the previous year, due to the increase in the price of raw materials and energy costs. Thus, the ratio of cost of sales to revenue from sales equal to 71.28% which is 5.34% higher than the previous year.

■ Selling and Administrative Expenses

Selling and administrative expenses sum up to 3,965.24 million Baht, an increase of 91.51 million Baht or 2.36% when compared to the previous year. This is due to an accounting expense from revaluation of financial assets and subordinated debentures, together with the higher freight and transportation costs in relation to an increase in sales volume. The ratio of selling and administrative expenses to sales revenue for the year 2022 and 2021 equal to 14.97 % and 15.84%, respectively.

■ Share of profit from investments in associates and joint venture

In 2022, the company received a share of profit from investments in associates and joint ventures under the equity method of 164.17 million Baht, a decrease of 73.56 million Baht from 2021, or 30.94 % which due to the higher raw materials and production costs.

■ Net Profit

The net profit, in the part of shareholders' equity of the Company, for the year stood at Baht 2,785.92 million, decreasing by Baht 788.72 million or by 22.06 % from the previous year. The Company maintained the profit margin at 10.16 % of total income. Meanwhile, The net profit for the Company only (TFMAMA) stood at Baht 1,925.50 million, decreasing by 28.33 %, which resulted from higher cost of goods sold and selling expenses.



1.3 Financial Position

For statement of financial as at December 31, 2022, changes as compared the previous year are as followed:

Unit : Million Baht					
Financial Position	31-Dec-2022	31-Dec-2021	Change	%	Proportion
Trade and other receivables	3,923.81	3,649.02	274.79	7.53	9.15
Inventories	2,685.22	1,907.40	777.82	40.78	6.26
Financial assets	18,300.13	18,269.82	30.31	0.17	42.68
Other assets	17,971.18	16,667.44	1,303.74	7.82	41.91
Total assets	42,880.34	40,493.68	2,386.66	5.89	100.00
Current liabilities	3,409.83	3,235.69	174.14	5.38	76.80
Other non-current liabilities	1,030.14	1,035.45	(5.31)	(0.51)	23.20
Total liabilities	4,439.97	4,271.14	168.83	3.95	100.00
Shareholders' equity	38,440.37	36,222.54	2,217.83	6.12	100.00
Book Value per Share	116.59	109.86	6.73	6.13	

■ Assets

The total assets of the company as of December 31, 2022 are 42,880.34 million Baht, an increase of 2,386.66 million Baht or 5.89 % from the end of the previous year. These consist of the current assets of 19,070.59 million Baht or 44.47 % of total assets, and non-current assets 23,809.75 million Baht or 55.53 % of total assets. The main items added were from other assets.

The trade and other account receivable of the Company in 2022 stood at Baht 3,923.81 million, accounting for 9.15 % of total assets and increasing by 7.53 % from the previous. The major trade account receivable from domestic market of the Company was due from Sahapathanapibul PCL, whereas the average debt collection period was at 52 days, or increasing by 1 day from the previous year. In addition, the Company had set aside the allowance for doubtful accounts by Baht 3.83 million, which was sufficient to cover the account receivable due longer than 12 months. In overall, the trade account receivable of the Company was mostly paid on schedule. Although a few foreign accounts were paid overdue, such delayed payment constituted an insignificant portion, when compared with total trade accounts.

The inventory of the Company in 2022 amounted to Baht 2,685.22 million, accounting for 6.26 % of total assets and increasing by 40.78 % from a year earlier. In addition, the average shelf life of instant noodles products stood at 180 days, whereas the average days sales was at 44 days.



■ Liability

Total liability of the Company as of December 31, 2022 amounted to Baht 4,439.97 million, increasing by Baht 168.83 million or by 3.95 % from the end of 2021 as a result of increasing amount of account payable outstanding liability and accrued expenses. In 2022, account payable turnover was stood at 8.76 times and the average payment period was 42 days which was 2 days lower than the previous year. However, most liability of the Company was current liability, whereas the long-term liability was accounted for 23.20 % of total liabilities. Meanwhile the debt to equity ratio of the Company was at 0.15 time.

■ Shareholders' Equity

The shareholders' equity of the Company as of December 31, 2022 amounted to Baht 38,440.37 million, increasing by Baht 2,217.83 million or by 6.12 % from the end of 2021 because of net profit in the period. In 2022, the Company recorded the dividend payment for the second half-year of 2021 at Baht 626.44 million, and the interim dividend payment for the period ended on June 30, 2022 at Baht 441.80 million. In addition, the book value of the Company increased by 6.73 Baht per share from 109.86 Baht per share to 116.59 Baht per share, or rising by 6.13% from the preceding year.

1.4 Liquidity Position and Suitability of Capital Structure

■ Liquidity Position

Cash flow statement for the period ended December 31, 2022, details as follow:

Unit : Million Baht		
Financial statement	2022	2021
Net cash flows from operating activities	3,313.43	4,654.92
Net cash flows used in investing activities	(1,937.90)	(3,314.71)
Net cash flows used in financing activities	(1,119.26)	(1,440.72)
Increase (decrease) in translation adjustments	(17.57)	(6.32)
Net increase (decrease) in cash and cash equivalents	238.70	(106.83)
Cash and cash equivalents at beginning of year	3,588.58	3,695.42
Cash and cash equivalents at end of year	3,827.28	3,588.59

The accompanying notes are an integral part of the financial statements.



The net cash from operating activities of the Company in 2022 amounted to Baht 3,313.43 million, whereas the net cash used for investing and financing activities amounted to Baht 1,937.90 million and Baht 1,119.26 million, respectively. The Company, as of December 31, 2022, recorded net cash and cash equivalent of Baht 3,827.28 million, increasing by Baht 238.70 million from 2021. The important details were summarized as follows,

The cash inflow from operating activities totaled to Baht 3,313.43 million, mainly due to the operating profit before tax of Baht 4,583.67 million. The Company used Baht 1,937.90 million for investing activities, mostly in other non-current financial assets, entering into an asset repurchase agreement, and also purchased additional machinery and equipment. In addition, the cash paid for financing activities was at Baht 1,119.26 million, mainly due to the dividend payment of Baht 1,068.11 million. However, the Company was able to maintain strong liquidity ratio. The current ratio and the quick ratio of the Company in 2022 stood at 5.59 and 4.74 times respectively, increasing from the ratio in the previous year. Meanwhile, the cash cycle of the Company was at 54 days.

■ Suitability of Capital Structure

The Company had strong financial position. As of December 31, 2022, the debt to shareholders' equity ratio was at 0.15 times. The consolidated interest-bearing liabilities were Baht 109.88 million. Thus, the interest-bearing debt ratio was considerably low at 0.004 times, reflecting the stability of capital structure and strong capability of debt service of the Company.

2. Sustainability Performance (ESG)

Throughout the past 50 years, the company has operated its business based on good governance principles along with practicing social and environmental responsibility. The company understands the importance of personnel while consistently generating good operating results.

2.1 Environment

As a part of the Green Industry Initiative, the company has continuously applied innovation and technology to develop the production process in the factories with the emphasis on efficient use of resources coupled with maintaining the balance of the environment as a result of the company's activities both directly and indirectly. Therefore, campaigns have been launched for everyone in the organization and stakeholders throughout the supply chain to participate in reducing greenhouse gas emissions.

The company has set a goal to reduce greenhouse gas emissions by 2024, reducing greenhouse gas



emissions per product unit by at least 4.5% compared to the base year 2020. In addition, the company plans to reduce greenhouse gas emissions per product unit by at least 9% in 2026 when compared to the base year 2020. To achieve the goal, the company's main strategies are to increase energy efficiency by increasing the shares of low emission energies (Solar rooftop / Steam ejector) and introducing new products with low carbon footprints. As a result of such strategies, greenhouse gas emissions in 2022 decreased from the base year 2020 by 3.89 %

2.2 Social aspects

The company recognizes the importance of human resource management along with preparing and developing their potentials so that there can be diversities in expertise. With the recognition that they are going to be a new generation of leaders, the company aims to create leaders who are smart, virtuous, and are ready to respond to changes.

In recruiting personnel, the company conducts an open recruitment process both inside and outside the company. There are no restrictions on race, religion, disability, or educational institutions. The focus is on recruiting people who are good and capable and providing employment opportunities to the locals. This is due to the fact that the company firmly believes that all personnel, regardless of where they live, can possess the required knowledge, skills, and abilities. The local personnel are key to connect and establish cordial relationships and an understanding for the company and communities surrounding it.

In addition, the company supports and assists in developing the quality of life of local people so that they can grow alongside the company. In 2022, the company allocated a budget for procurement of main raw materials from farmers which accounted to 2.53 % increase from 2021, as well as providing the company's products in charitable activities and natural disaster events in both public and private sectors. MAMA model project was formed with the intention of improving the quality of life for people with disabilities and promoting careers for families of the disabled.

2.3 Governance

The company is confident that good corporate governance is an important factor in building competitiveness. It portrays that the company has an efficient, transparent, verifiable management system that leads the company to grow sustainably.

The Company's Good Governance and Risk Management Committee which was appointed by the Board of Directors set the risk management policy and supervised the risk management process including the risks associated with Environmental, Social, and Governance (ESG), taking into account sustainability issues from internal and external factors, and complies with Global Reporting Initiatives (GRI) reporting principles.



The company operates on the basis of ESG in accordance with the principles of good corporate governance. As a result, the company was awarded the ASEAN Asset Class PLCs of the year 2021 with a score of 97.50 from the assessment of good corporate governance of listed companies in the ASEAN region.

3. Major factors and influences that may affect operations or financial position in the future

From various situations and factors that are occurring around the world, the global economy continues to face uncertainty and risks, these include the prolonged Russian-Ukrainian war, the rise of inflation, and the energy price crisis. These major factors have contributed to the increase of commodity prices, especially wheat and palm oil, which are the main raw materials for the production of the company's products. Moreover, the increases in the selling price that were adjusted according to the cost are limited to the market mechanism and have directly affected the company's performance. However, in 2023, the company is still determined to drive the business according to the growth strategy, which is producing products with more variety of flavors, focusing on penetrating the existing markets, and finding new markets to cover all target groups in order to stimulate more sales. The company has given importance to occupational health and safety in operations with the same standards throughout the organization by setting guidelines to prevent and reduce risks from work, logistics, and transportation. In addition, the company has managed costs and expenses as well as controlling investment expenditures to be most efficient to generate sales that meet the goals and make the company grow progressively and sustainably. The company also upholds the quality of production according to the standards that have always been adhered to.

Please kindly be informed accordingly

Your sincerely,

(Mr. Wasan Boonsampankit)

Manager of Finance and Investment Department (CFO)

February 23, 2023