



# บริษัท น้ำมันพืชไทย จำกัด (มหาชน)

## THAI VEGETABLE OIL PUBLIC COMPANY LIMITED

TVO/CP/23/010

August 11, 2023

Subject : Report of the Management Discussion and Analysis for the second quarter of 2023

Attention : The President

The Stock Exchange of Thailand

Thai Vegetable Oil Public Company Limited (“Company”) would like to submit the financial statements as ended June 30, 2023, which have been reviewed by the auditor together with the management discussion and analysis as an information for investors and those who are interested.

### Operating Results

Operating results of the Company and its subsidiary for three-month and six-month period ended June 30, 2023 and 2022 were as follows;

Unit: Million Baht	For three-month period, ended June 30				For six-month period, ended June 30			
	2023	2022	Increase/(Decrease)		2023	2022	Increase/(Decrease)	
Sales	8,968	9,409	(441)	(4.69%)	18,323	18,632	(309)	(1.66%)
Sale of packing materials	116	130	(14)	(10.77%)	222	226	(4)	(1.77%)
<b>Total sales</b>	<b>9,084</b>	<b>9,539</b>	<b>(455)</b>	<b>(4.77%)</b>	<b>18,545</b>	<b>18,858</b>	<b>(313)</b>	<b>(1.66%)</b>
Cost of sales	8,969	8,358	611	7.31%	18,282	16,763	1,519	9.06%
<b>Gross profit</b>	<b>115</b>	<b>1,181</b>	<b>(1,066)</b>	<b>(90.26%)</b>	<b>263</b>	<b>2,095</b>	<b>(1,832)</b>	<b>(87.45%)</b>
Profit (loss) on exchange rate / derivatives	(138)	256	(394)	(153.91%)	56	321	(265)	(82.55%)
Other income	43	56	(13)	(23.21%)	64	74	(10)	(13.51%)
Selling expenses	148	155	(7)	(4.52%)	286	293	(7)	(2.39%)
Administrative expenses	74	76	(2)	(2.63%)	143	142	1	0.70%
Allowance for expected credit loss (Reversal)	(1)	(7)	6	(85.71%)	(6)	(1)	(5)	500.00%
Reduction cost of inventories to net realizable value (Reversal)	(247)	(4)	(243)	6,075.00%	(253)	(43)	(210)	488.37%
Impairment loss on plant, machinery and equipment	2	73	(71)	(97.26%)	2	73	(71)	(97.26%)
Financial cost	(5)	(1)	(4)	400.00%	(11)	(2)	(9)	450.00%

Unit: Million Baht	For three-month period, ended June 30				For six-month period, ended June 30			
	2023	2022	Increase/(Decrease)		2023	2022	Increase/(Decrease)	
Profit before income tax expenses	40	1,199	(1,159)	(96.66%)	200	2,024	(1,824)	(90.12%)
Income tax expenses	(2)	(233)	231	(99.14%)	(33)	(390)	357	(91.54%)
Net profit attributable to equity holders of the Company	35	953	(918)	(96.33%)	163	1,615	(1,452)	(89.91%)
Non-controlling interests of the subsidiaries	2	13	(11)	(84.62%)	3	19	(16)	(84.21%)

In the second quarter of 2023, the Company and its subsidiary had a net profit Baht 35 million, decreased by Baht 918 million or down by 96.33% from Baht 953 million when compared to the same quarter of 2022. The main reasons were;

#### 1. Sales Revenues

The Company and its subsidiary had total sales revenue of Baht 9,084 million, decreased by Baht 455 million or down by 4.77% from Baht 9,539 million when compared to the second quarter of the year 2022. The revenue from sales of products was Baht 8,968 million, decreased by Baht 441 million or down by 4.69% from Baht 9,409 million when compared to the second quarter of the year 2022, and the revenue from sales of packaging materials was Baht 116 million, decreased by Baht 14 million or down by 10.77% from Baht 130 million when compared to the second quarter of the year 2022. The details were as follows;

- **Revenue from sales of soybean meal and other animal feed ingredients** decreased when compared to the second quarter of the year 2022. Although, the selling prices was higher which in line with the rising price of soybean meal in global market but the sales volume decreased due to the scheduled maintenance of the soybean crushing plant in March. As a result, soybean meal stock in the early of second quarter were relatively low. Moreover, domestic animal feed manufacturers delayed their orders because the selling price of pork and chicken has declined from the impact of smuggling of pork from overseas, while the feed cost has increased. Therefore, farmers have reduced the number of pigs raised to avoid potential losses.
- **Revenue from sales of refined soybean oil** decreased when compared to the second quarter of the year 2022, mainly due to the weak domestic economy and high inflation that pressure the public consumption, causing consumers to be more cautious on their spending. In addition, the price gap between soybean oil and palm oil that remained high has led some customers switching to palm oil which is cheaper. Therefore, the company has focused on selling soybean oil to the hotel customers, industrial groups and export markets.

- **Revenue from sales of packaging materials** decreased when compared to the second quarter of the year 2022, due to a decrease in sales volume because of the economic slowdown causing customers to reduce their purchase orders.

## 2. Cost of Sales and Gross Profits

The Company and its subsidiary's cost of sales was Baht 8,969 million, increased by Baht 611 million or up by 7.31% from Baht 8,358 million. The gross profits of the Company and its subsidiary was Baht 115 million, decreased by Baht 1,066 million or down by 90.26% from Baht 1,181 million when compared to the second quarter of the year 2022. The main reasons were;

- **Cost of Sales and Gross Profits of the Company:** The cost of sales was higher when compared to the second quarter of the year 2022, mainly due to the increased price of imported soybeans which was the Company's main raw material. Global soybeans price has increased because of tight ending stocks in the US and rising production costs. Meanwhile, the new crops still face uncertainties from unexpected drought climate in the U.S. Midwest which is the main planting area of soybean. In addition, Argentina soybean production was damaged by the La Niña. Although Brazil soybean production was at a record high. As a result, the Company's gross profit decreased when compared to the second quarter of 2022.
- **Cost of Sales and Gross Profits of the Company's subsidiary:** The cost of sales of the Company's subsidiary decreased when compared to the second quarter of the year 2022, in line with the decrease in sales volume from customer orders. In addition, the Company's subsidiary had faced high electricity costs and increased wages. As a result, the Company's subsidiary had lower gross profit when compared to the second quarter of 2022.

## 3. Gain (Loss) on Exchange Rate and Derivative

The Company has managed to hedge foreign exchange risk and commodities price risk with a forward contract. However, the volatility in commodity prices and depreciation of Thai Baht in the second quarter resulted in the Company and its subsidiary losses on exchange rate and derivatives totaling Baht 138 million decreased by Baht 394 million or down by 153.91% from gain Baht 256 million when compared to the second quarter of the year 2022.

## 4. Other income

The Company and its subsidiary's generated other income of Baht 43 million, decreased by Baht 13 million or down by 23.21% from Baht 56 million when compared to the second quarter of the year 2022, which resulted from the Reversal of promotional expenses and Dividend income.

## 5. Selling and Administrative Expenses

The Company and its subsidiary's selling expenses was Baht 148 million, decreased by Baht 7 million or down by 4.52% from Baht 155 million when compared to the second quarter of the year 2022 due to the decrease in export expenses as freight costs returned to normal.

Administrative Expenses was Baht 74 million, decreased by Baht 2 million or down by 2.63% from Baht 76 million when compared to the second quarter of the year 2022, mainly due to depreciation expenses.

**6. Allowance for expected credit loss (Reversal)**

In the second quarter of 2023, the Company and its subsidiaries reversed the recognition of loss on impairment of trade receivables value of Baht 1 million.

**7. Reduction cost of inventories to net realisable value (Reversal)**

In the second quarter of 2023, the Company and its subsidiaries reversed the recognition of loss from reduction of inventories to net realisable value of Baht 247 million in some products.

**8. Impairment loss on plant, machinery and equipment**

In the second quarter of 2023, the Company and its subsidiaries recorded a loss on impairment of plant, machinery and equipment of Baht 2 million because the Company plans to renovate some parts of its plant, resulting in the demolition of plant, and the write-off of deteriorated machineries and equipment.

**Conclusion of the operational performance of six-month period ended June 30, 2023**

For the first half of 2023, the Company and its subsidiary had total sales revenue of Baht 18,545 million, decreased by Baht 313 million or down by 1.66% from Baht 18,858 million. Total cost of sales was Baht 18,282 million, increased by Baht 1,519 million or up by 9.06% from Baht 16,763 million. Total gross profit was Baht 263 million, decreased by Baht 1,832 million or down by 87.45% from Baht 2,095 million. While the total selling expense was Baht 286 million, decreased by Baht 7 million or down by 2.39% from Baht 293 million. The total administrative expense was Baht 143 million, increased by Baht 1 million or up by 0.70% from Baht 142 million. Overall, the Company and its subsidiary had a net profit of Baht 163 million, decreased by Baht 1,452 million or down by 89.91% from Baht 1,615 million when compared to the same period last year.

Please be informed accordingly,

Yours sincerely,

Miss Kanutsorn Bunditnate  
Company Secretary  
Authorized Signatory