

Date September 14, 2023

Subject: Management Discussion and Analysis for the three months and nine months period ended September 30, 2023

To: Director and Manager
Stock Exchange of Thailand

Delta Paint Public Company Limited (“the Company”) would like to clarify the operating results for the three months and nine-month period ended September 30, 2023 with the following details:

Results of Operations for the 3rd Quarter of the Year 2023

Income Statement

(Million Baht)

| | three-months | three-months | Change | |
|--|---------------|---------------|---------------|----------------|
| | period ended | period ended | Amount | Percentage |
| | September 30, | September 30, | | |
| | 2022 | 2023 | | |
| Revenue from sales and services | 218.8 | 237.0 | 18.2 | 8.3 |
| Cost of sales and services | 130.3 | 156.2 | 25.9 | 19.8 |
| Gross profit | 88.5 | 80.8 | 7.7 | 15.8 |
| <i>Gross profit margin (%)</i> | <i>40.4</i> | <i>34.1</i> | <i>(6.4)</i> | <i>(15.8)</i> |
| Other revenues | 3.0 | 0.8 | (2.2) | (73.3) |
| Distribution Costs | 55.5 | 69.1 | 13.6 | 24.5 |
| Administrative expenses | 15.4 | 18.7 | 3.3 | 21.4 |
| Financial cost | 1.0 | 1.8 | 0.8 | 80.0 |
| Share of profit (loss) of associated companies using the equity method | - | 2.2 | 2.2 | 100.0 |
| Income tax expense | 4.8 | (0.4) | (5.2) | (108.3) |
| Net profit | 14.8 | (5.4) | (20.2) | (136.4) |
| <i>(Loss) attributable to Non-controlling interests of subsidiary</i> | <i>(0.2)</i> | <i>(0.4)</i> | <i>(0.2)</i> | <i>100.0</i> |
| Profit attributable to owners of the parent company | 15.0 | (5.0) | (20.1) | (133.3) |
| <i>Net profit margin (%)</i> | <i>6.8</i> | <i>(2.1)</i> | <i>(8.9)</i> | <i>(130.8)</i> |
| Earnings per share (Baht) | 0.07 | (0.02) | (0.09) | (128.5) |

Revenue Structure Categorized by Product Grade

(Million Baht)

| | three-months period ended September 30, 2022 | Sale Proportions | three-months period ended September 30, 2023 | Sale Proportion |
|--|---|---------------------|---|--------------------|
| Premium | 68.4 | 31.2 | 62.0 | 26.1 |
| Growth (%) | - | | (9.4) | |
| Standard | 85.5 | 39.1 | 104.8 | 44.2 |
| Growth (%) | - | | 22.5 | |
| Economy | 64.9 | 29.7 | 70.2 | 29.7 |
| Growth (%) | - | | 8.1 | |
| Revenue from sales and services | 218.8 | 100.0 | 237.0 | 100.0 |
| % Growth | - | | 8.3 | |

Revenue from sales and services

For the three-months ended September 30,2022 and 2023, The company had revenue from sales and services amount of THB 218.8 million and THB237.0 million, respectively, which increased THB18.2 million, or 8.3%. This is due to sales income from recently launched construction materials to support the expansion of construction materials industry. Revenue can be categorized in to premium, standard, and economy in the proportion of 26.1 percent, 44.2 percent, and 29.7 percent respectively. Such temporary changes in revenue structure resulted from the adjustment in sales strategy to cope with current market situation

Gross Profit

For the three-months ended September 30,2022 and 2023, The company had gross profit amount to THB 88.5 million and THB 80.8 million, respectively, or as a percentage of sales revenue, 40.4% and 34.0%, respectively. The decrease in gross profit margin was primarily attributable to change in sales proportion which included the new revenue from new sales of construction materials products, which have a lower gross profit margin comparing to decorative paint product and changes in revenue structure from the adjustment in sales strategy to cope with the current market situation as mentioned above.

Other Revenues

For the three-months ended September 30,2022 and 2023, The company had other Revenues amount of THB3.0 million and THB0.8 million, respectively, which decrease THB 2.2 million, or 73.3%.

Selling Expenses and Administrative Expenses

For the three-months ended September 30, 2022 and 2023, The company had expense amount to THB70.9 million and THB87.8 million respectively, which increased THB16.9 million, or 23.8%. The is mainly due to the higher in both personnel and management expenses from the investment in major company's reorganization in order to support the sustainable long-term growth in the future.

Net Profit

For the three-months ended September 30, 2022 and 2023, The company had profit amount to THB15.0 million and THB (5.0) million respectively, which decreased THB20.0 million, or 133.3%, The decrease was primarily from the adjustment in sales strategy to cope with current market situation and expenses from the investment in major company's reorganization in order to support the sustainable long-term growth in the future.

Results of Operations for nine months period of the Year 2023

Income Statement

| | (Million Baht) | | | |
|--|--|--|---------------|---------------|
| | nine-months period ended September 30, 2022 | nine-months period ended September 30, 2023 | Change | |
| | | | Amount | Percentage |
| Revenue from sales and services | 649.4 | 745.0 | 95.6 | 14.7.0 |
| Cost of sales and services | 397.0 | 467.0 | 70.0 | 17.6 |
| Gross profit | 252.4 | 278.0 | 25.6 | 10.1 |
| <i>Gross profit margin (%)</i> | 38.8 | 37.3 | (1.5) | (3.8) |
| Other revenues | 6.6 | 4.2 | (2.4) | (36.3) |
| Distribution Costs | 165.2 | 204.4 | 39.2 | 23.7 |
| Administrative expenses | 40.0 | 50.8 | 10.8 | 27.0 |
| Financial cost | 2.9 | 5.1 | 2.2 | 75.9 |
| Share of profit (loss) of associated companies using the equity method | - | 3.3 | 3.3 | 100.0 |
| Income tax expense | 12.6 | 7.9 | (4.7) | (37.3) |
| Net profit | 38.3 | 17.3 | (21.0) | (54.8) |
| <i>(Loss) attributable to Non-controlling interests of subsidiary</i> | (0.4) | (0.6) | (0.2) | (50.0) |
| Profit attributable to owners of the parent company | 38.7 | 17.9 | (20.8) | (53.7) |
| <i>Net profit margin (%)</i> | 6.0 | 2.4 | (3.6) | (60.0) |
| Earnings per share (Baht) | 0.17 | 0.08 | (0.09) | (52.9) |

Revenue Structure Categorized by Product Grade

(Million Baht)

| | nine-months period ended September 30, 2022 | Sales Proportion | nine-months period ended September 30, 2023 | Sales Proportion |
|--|--|---------------------|--|---------------------|
| Premium | 242.3 | 37.3 | 266.5 | 35.8 |
| Growth (%) | - | | 9.9 | |
| Standard | 218.4 | 33.6 | 264.4 | 35.5 |
| Growth (%) | - | | 21.1 | |
| Economy | 188.7 | 29.1 | 214.1 | 28.7 |
| Growth (%) | - | | 13.5 | |
| Revenue from sales and services | 649.4 | 100.0 | 745.0 | 100.0 |
| % Growth | - | | 14.7 | |

Revenue from sales and services

For the nine-months ended September 30, 2022 and 2023, The company had revenue from sales and services amount of THB 649.4 million and THB745.0 million, respectively, which increased THB95.6 million, or 14.7%. This is due to sales income from recently launched construction materials to support the expansion of construction materials industry. Revenue can be categorized in to premium, standard, and economy in the proportion of 35.8 percent, 35.5 percent, and 28.7 percent respectively. Such temporary change in revenue structure resulted from the adjustment in sales strategy to cope with the current market situation.

Gross Profit

For the nine-months ended September 30, 2022 and 2023, The company had gross profit amount to THB252.4 million and THB278.0 million, respectively, or as a percentage of sales revenue, 38.8% and 37.3%, respectively. The decrease in gross profit margin was primarily attributable to temporary change in sales to cope with the current market situation

Other Revenues

For the nine-months ended September 30, 2022 and 2023, The company had other Revenues amount of THB6.6 million and THB4.2 million respectively, which decreased THB2.4 million, or 36.3%.

Selling Expenses and Administrative Expenses

For the nine-months ended September 30, 2022 and 2023, The company had distribution cost amount to THB205.2 million and THB255.2 million respectively, which increased THB50.0 million, or 24.3%. The is mainly due to the higher in both personnel and management expenses from the investment in major company's reorganization in order to support the sustainable long-term growth in the future.

Net Profit

For the nine-months ended September 30, 2022 and 2023, The company had profit amount to THB38.7 million and THB17.9 million respectively, which decreased THB20.8 million, or 53.7%, The decrease was primarily from the adjustment in sales strategy to cope with current market situation and expenses from the investment in major company's reorganization in order to support the sustainable long-term growth in the future.

Balance Sheet

(Million Baht)

| | As of | As of | Change | |
|-----------------------------|----------------------|-----------------------|------------|-------------|
| | December 31, 2022 | September 30, 2023 | Amount | Amount |
| Total Assets | 1,085.8 | 1,179.7 | 93.9 | 8.6 |
| Total Liabilities | 432.0 | 545.9 | 113.9 | 26.4 |
| Total Shareholder's Equity | 653.8 | 633.9 | (19.9) | (3.0) |
| Debt to Equity Ratio (Time) | 0.7 | 0.8 | 0.1 | 14.2 |

Assets

As of September 30, 2023, the Company and its subsidiaries had total assets of Baht 1,179.7 million, an increase from total assets as of 31 December 2022 by Baht 93.9 million due to:

- Decreased in cash and cash equivalents of Baht 39.4 million.
- Increased in trade and other current receivables of Baht 17.0 million due to sales increasing.
- Increased in inventory of Baht 55.8 million to support a higher sale.
- Increased in land, building and equipment's of Baht 19.2 million due to investment in equipment for new distribution channels.
- Increased in Investment in Associated Companies of Baht 75.2 million.

Liabilities

As of September 30, 2023, the Company and its subsidiaries had total liabilities of Baht 545.9 million, an increase of Baht 113.9 million from 31 December 2022, an increase of 26.4 percent due to:

- Increased in bank overdrafts and short-term loans from financial institutions in the amount of Baht 98.3 million
- Increased in Trade and other current payables in the amount of Baht 26.3 million

Equity

As of September 30, 2023, the Company and its subsidiaries had shareholders' equity of Baht 633.9 million, an decrease of Baht 19.9 million from 31 December 2022, an decrease of 3.0 percent, was primarily attributable to an decrease in unappropriated retained earnings for our operations, and there is a dividend payment

Debt to Equity Ratio

As of September 30, 2023, compared to the year ended December 31,2023 , the Company and its subsidiaries' debt to equity ratio at 0.8 and 0.7 respectively.

Yours sincerely

(Mr.Athapon Tangkaravakoon)

Chief Financial Officer

Delta Paint Public Company Limited