

Tipco 012/2019

Management Discussion and Analysis Tipco Foods Public Company Limited
For the Three-month ended June 30, 2019
1. Consolidated statement of comprehensive income ended June 30, 2019

Unit : Thousand Baht

Statement of comprehensive income	Consolidated financial statements		Changes		Consolidated financial statements		Changes	
	Q2 2019	Q2 2018	Increase (Decrease)	%	For the six-month 2019	For the six-month 2018	Increase (Decrease)	%
Sales and service income	979,962	1,058,943	(78,981)	(7%)	1,918,819	2,037,288	(118,469)	(6%)
Other income	55,638	32,670	22,968	70%	79,375	57,043	22,332	39%
Total revenues	1,035,600	1,091,613	(56,013)	(5%)	1,998,194	2,094,331	(96,137)	(5%)
Total expenses	1,192,377	1,151,507	40,870	4%	2,208,538	2,155,165	53,373	2%
Profit (loss) before share of profit from investment in associate, finance cost and income tax	(156,777)	(59,894)	(96,883)	(162%)	(210,344)	(60,834)	(149,510)	(246%)
Share of profit from investment in associate	247,095	28,615	218,480	764%	415,658	100,519	315,139	314%
Profit (loss) before finance cost and income tax	90,318	(31,279)	121,597	389%	205,314	39,685	165,629	417%
Finance cost	(18,678)	(12,807)	5,871	46%	(35,101)	(24,279)	10,822	45%
Profit (loss) before income tax	71,640	(44,086)	115,726	263%	170,213	15,406	154,807	1,005%
Income tax benefit (expenses)	1,794	(25,919)	(27,713)	(107%)	392	(35,647)	(36,039)	(101%)
Profit (loss) for the period	73,434	(70,005)	143,439	205%	170,605	(20,241)	190,846	943%
Profit (loss) for the period Equity holders of the Company	73,434	(70,005)	143,439	205%	170,605	(20,241)	190,846	943%

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	
	Q2 2019	Q2 2018	Increase (Decrease)	%	Q2 2019	Q2 2018	Increase (Decrease)	%	Q2 2019	Q2 2018	Increase (Decrease)	%	Q2 2019	Q2 2018	Increase (Decrease)	%
Sales and service income	429	454	(25)	(6%)	541	571	(30)	(5%)	10	34	(24)	(71%)	980	1,059	(79)	(7%)

In the 2nd quarter 2019, the Company and its subsidiaries reported Sales and services income of Baht 980 million, decreased by 7% compared to the same period of last year, partly due to a change in the preparation of financial statement in accordance with the new Thai accounting standard ("TFRS 15") by reclassifying from selling expenses to both Sales Deduction and Cost of Goods Sold. However, if compare to the same period of last year, product of vegetable and fruit decreased by 6%. Beverage business decrease by 5% due to the decline of overall fruit juice market but our beverage business still occupied No.1 market share in a total fruit juice market and premium fruit juice market.

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Unit : million Baht

Consolidated financial statements	Product of vegetable and fruit		Changes		Beverage		Changes		Other		Changes		Consolidated financial statements		Changes	
	For the six-month	For the six-month	Increase	%	For the six-month	For the six-month	Increase	%	For the six-month	For the six-month	Increase	%	For the six-month	For the six-month	Increase	%
	2019	2018	(Decrease)		2019	2018	(Decrease)		2019	2018	(Decrease)		2019	2018	(Decrease)	
Sales and service income	820	813	7	1%	1,077	1,160	(83)	(7%)	22	64	(42)	(66%)	1,919	2,037	(118)	(6%)

For the six-month period, the Company and its subsidiaries reported Sale and service income of Baht 1,919 million, decreased by 6% from the same period last year primarily from a decrease in revenue of Beverage business due to the decline of overall fruit juice market and changes in the preparation of financial statement in accordance with the new Thai accounting standard ("TFRS 15") reclassifying from selling expenses to both Sales Deduction and Cost of Goods Sold.

1.2 Operating Expense

Unit : Thousand Baht

Expenses	Consolidated financial statements		Changes		Consolidated financial statements		Changes	
	Q2 2019	Q2 2018	Increase (Decrease)	%	For the six-month 2019	For the six-month 2018	Increase (Decrease)	%
Cost of sales and services	921,271	876,362	44,909	5%	1,735,977	1,637,663	98,314	6%
Selling expenses	133,971	157,045	(23,074)	(15%)	244,581	317,216	(72,635)	(23%)
Administrative expenses	124,867	117,231	7,636	7%	215,712	226,511	(10,799)	(5%)
Other expenses	12,268	869	11,399	1,312%	12,268	(26,225)	38,493	147%
Total expenses	1,192,377	1,151,507	40,870	4%	2,208,538	2,155,165	53,373	2%

In the 2nd quarter of 2019, the Company and its subsidiaries reported total Operating Expense of Baht 1,192 million increased by 4% compared to the same period of last year, which can be explained as follows

- Cost of sales and service increased by 5%, from an increase in raw material prices in the product of vegetable and fruit. And changes in the preparation of financial statements in accordance with the new Thai accounting standards ("TFRS 15") reclassifying from selling expenses to Cost of Goods Sold.
- Selling expenses decreased by 15% from changes in the preparation of financial statements in accordance with the new Thai accounting standards ("TFRS 15") reclassifying from selling expenses to both Sales Deduction and Cost of Goods Sold.
- An increase in administrative expenses by 7%
- An increase in other expenses from Impairment loss on machinery and equipment.

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For the six-month, the Company and its subsidiaries reported total Operating Expense of Baht 2,209 million increased by 2% compared to the same period last year, mainly due to the following reasons

- An increase in Cost of sale and service by 6% from changes in the preparation of financial statements in accordance with the new Thai accounting standards ("TFRS 15") reclassifying from selling expenses to Cost of Goods Sold.
- A decrease in Selling Expenses by 23% from expense controlling to cope with decreased sales and changes in the preparation of financial statements in accordance with the new Thai accounting standards ("TFRS 15") reclassifying from selling expenses to both Sales Deduction and Cost of Goods Sold.
- A decrease in administrative expenses by 5% from controlling expenses in accordance with a decrease in Sales and services income.

1.3 Share of profit from investment in associate

In the 2nd quarter of 2019, the Company reported Share of profit from investment in associate of Baht 247 million increased by 764% compare to the same period of last year. For the six-month, the Company reported Share of profit from investment in associate of Baht 416 million increased by 314% compared to the same period last year.

1.4 Finance cost

In the 2nd quarter of 2019, the Company and its subsidiaries reported Finance cost of Baht 19 million increased from the previous year by 46%. For the six-month, the Company and its subsidiaries reported Finance cost of Baht 35 million which increased from the previous year by 45% mainly due to switching from short-term loan to long-term loan.

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2. Consolidated statement of financial position as at 30 June 2019

Unit : Thousand Baht

Statement of financial position	Consolidated financial statements		Changes	
	30-Jun-19	31-Dec-18	Increase (Decrease)	%
Assets				
Current assets	1,610,684	1,747,914	(137,230)	(8%)
Non-current assets	5,375,291	5,328,660	46,631	1%
Total assets	6,985,975	7,076,574	(90,599)	(1%)
Liabilities and shareholders' equity				
Liabilities				
Current liabilities	1,824,319	1,962,327	(138,008)	(7%)
Non-current liabilities	1,118,891	940,843	178,048	19%
Total liabilities	2,943,210	2,903,170	40,040	1%
Shareholders' equity				
Total shareholders' equity	4,042,765	4,173,404	(130,639)	(3%)
Total liabilities and shareholders' equity	6,985,975	7,076,574	(90,599)	(1%)

2.1 Asset

As of June 30, 2019, the Company and its subsidiaries had total assets of Baht 6,986 million, a decrease of 1% from the end of 2018. Current assets decreased by Baht 137 million or 8% mainly due to the decrease in cash and accounts receivable. While non-current assets increased by Baht 47 million or 1% due to the increase in Investment in associate.

2.2 Liabilities

As of June 30, 2019, the Company and its subsidiaries had total liabilities of Baht 2,943 million, an increase of 1% from the end of 2018, with the main changes from current liabilities decreased by Baht 138 million or 7% due to the decrease in short-term loans. Non-current liabilities increased by Baht 178 million or 19% due to switching from short-term loan to long-term loan.

2.3 Shareholders' equity

As of June 30, 2019, Total Shareholders' Equity of the Company and its subsidiaries was Baht 4,043 million decreased by 3% from the end of 2018, mainly due to a decrease in other components of shareholders' equity.

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**3. Consolidated cash flow statement for the 3-month period ended June 30, 2019**

Unit : Thousand Baht

Cash flow statement	Consolidated 30-Jun-19
Cash flows from operating activities	
Net cash flows used in operating activities	(14,078)
Cash flows from investing activities	
Net cash flows from investing activities	47,259
Cash flows from financing activities	
Net cash flows used in financing activities	(63,355)
Net decrease in cash and cash equivalents	(30,174)
Cash and cash equivalents at beginning of period	105,836
Cash and cash equivalents at end of period	75,662

As of June 30, 2019, the Company and subsidiaries had a decrease in net cash and cash equivalents Baht 30 million, with the company and its subsidiaries had net cash flow used in operating activities of Baht 14 million. Net cash from investing activities was Baht 47 million, mainly from dividend received from associate and net cash flow used in financing activities of Baht 63 million from Short -term loan and long-term loans and dividend paid.

4. Financial Ratio from consolidated financial statement for the ended June 30, 2019

Profitability ratios	Consolidated financial statements		Changes
	For the six-month 2019	For the six-month 2018	
Gross Profit Margin	10%	20%	(10%)
EBITDA Margin	17%	8%	9%
Net Profit Margin	9%	(1%)	10%
Return on Equity	4%	(0%)	5%
The Capacity to pay and liquidity ratios	30-Jun-19	31-Dec-18	Changes
Debt to equity ratio (Times)	0.73	0.70	0.03
Liquidity ratio (Times)	0.88	0.89	(0.01)

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