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No. TOA 21/2020

August 13, 2020

Subject : Management Discussion and Analysis for the three months and six months ended June 30, 2020

To The President
The Stock Exchange of Thailand

The Coronavirus 2019 (COVID-19) pandemic has not only affected the health and safety in everyday life, it has also significantly affected the global economy, including in AEC where the Company operates. However, the Company has been closely monitoring and assessing the situation that may adversely impact the corporate value chain, as well as cooperation with our business partners. These were resulting to our well management and rapid adaption to support the business continuity and respond to the change in ways of work and behavior (New Normal) of consumers and all stakeholders. Moreover, the Company also complies strictly with the Government's measures.

The impact of COVID-19 on business operation in Thailand

The Cabinet of Ministers has declared the Emergency Decree, imposing a lockdown order since March 22, 2020 and closing the businesses and venues, which have high risk of COVID-19 transmission. These had effected directly to our sales through Modern Trade channel. However, every stores in Modern Trade channel were reopened in the mid of May.

The impact of COVID-19 on business operation in AEC

In AEC, the Company has production plants in 6 countries, comprised of Vietnam, Laos, Malaysia, Indonesia, Myanmar and Cambodia.

According to the announcement of closure under COVID-19 outbreak situation in each country, The Company has announced the temporary closure of production plants as follows;

Country	Temporary Closure Date
Malaysia	18 March – 6 May 2020
Laos	31 March – 16 May 2020

While Vietnam, Indonesia, Myanmar and Cambodia can operate normally under tightened measures to protect and control people, who visit our workplace. However, it has affected our sales in overseas countries due to the slow down in economy, the decreasing of purchasing power, and the restriction of travel and border control.



Liquidity and Financial Position

The Company has strong financial position and liquidity. In addition, we have focused on the cash flow and the adequate level of liquidity to support the ongoing businesses.

TOA Paint (Thailand) Public Company Limited (the “Company” or “we” or “our” or “us”) would like to inform management discussion and analysis for its results of operations from the financial statements for the three months and six months ended June 30, 2020 as follows:

Management Discussion and Analysis

Results of Operations for the 2nd Quarter of Year 2020

Sales Revenue

For the three months ended June 30, 2019 and 2020, our sales revenue amounted to THB4,166.6 million and THB4,007.0 million, respectively, which decreased THB159.6 million, or 3.8%. The decrease derived mainly from a decrease in decorative paint and coating products sales revenue due to a decreased sales volume partially offset by an increase in non-decorative paint and coating products sales revenue due to an increased sales volume. By distribution channel, the decrease in sales revenue derived particularly from modern trade channel due mainly to a decreased sales volume partly offset by an increase in sale revenue from retail channel. By customer location, sales revenue decreased from both products sold to customers in Thailand and overseas countries sales revenue, which were primarily attributable to the decreased sales volume.

Cost of Sales

Our cost of sales decreased THB187.6 million, or 6.9%, from THB2,737.1 million for the three months ended June 30, 2019 to THB2,549.5 million for the three months ended June 30, 2020. This decrease was primarily attributable to a decreased sales volume, as well as average cost per unit of some raw materials used in our production process decreased. Moreover, some expenses have decreased since last year there was an additional provision for employee benefits amounted to THB32.9 million*.

Gross Profit

For the three months ended June 30, 2019 and 2020, gross profit amounted to THB1,429.5 million and THB1,457.5 million, respectively, or as a percentage of sales revenue, 34.3% and 36.4%, respectively. The increase in gross profit margin was primarily attributable to some raw materials used in our production process decreased.

*The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. The law is effective from 5 May 2019.



Selling Expenses

Total selling expenses decreased THB28.5 million, or 5.1%, from THB558.9 million for the three months ended June 30, 2019 to THB530.4 million for the three months ended June 30, 2020. This decrease was primarily attributable to the decreased sales promotion expenses and advertising expenses, as well as a decrease in expenses since last year there was an additional provision for employee benefits amounted to THB 21.5 million*.

Administrative Expenses

Total administrative expenses increased THB4.7 million, or 1.6%, from THB300.0 million for the three months ended June 30, 2019 to THB304.7 million for the three months ended June 30, 2020. This increase was primarily attributable to the increase in public donation and an increased allowance for doubtful accounts due to the adoption of the financial reporting standards relating to financial instruments (TFRS 9), as well as a decrease in the expenses since last year there was an additional provision for employee benefits amounted to THB31.1 million*.

Profit for the period

Our profit for the period increased THB114.8 million, or 24.0%, from THB478.2 million for the three months ended June 30, 2019 to THB593.0 million for the three months ended June 30, 2020. This increase was primarily attributable to an increased gross profit and a decreased selling expenses. Our net profit margin increased from 11.4% for the three months ended June 30, 2019 to 14.7% for the three months ended June 30, 2020.

Income statement (THB million)	For the three months ended June 30,	
	2019	2020
Sales revenue	4,166.6	4,007.0
Total revenues	4,197.5	4,046.8
Cost of sales	2,737.1	2,549.5
Selling and administrative expenses	858.9	835.1
Losses (gains) on exchange rates, investments in trading securities and fair value of financial assets	17.2	(68.6)
Profit before finance cost and income tax	584.3	730.8
Profit for the period	478.2	593.0

*The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. The law is effective from 5 May 2019.



Results of Operations for Six - Month Period of Year 2020

Sales Revenue

For the six months ended June 30, 2019 and 2020, our sales revenue amounted to THB8,500.7 million and THB8,107.9million, respectively, which decreased THB392.8 million, or 4.6%. The decrease derived primarily from a decrease in decorative paint and coating products sales revenue due to the decreased average selling price and decreased sales volume partially offset by an increase in non-decorative paint and coating products sales revenue due to an increased sales volume. By distribution channel, the decrease in sales revenue derived particularly from modern trade channel due mainly to a decreased sales volume partly offset by an increase in sale revenue from retail channel. By customer location, sales revenue decreased from both products sold to customers in Thailand and overseas countries sales revenue, which were primarily attributable to the decreased sales volume.

Cost of Sales

Our cost of sales decreased THB428.1 million, or 7.7%, from THB 5,527.7 million for the six months ended June 30, 2019 to THB5,099.6 million for the six months ended June 30, 2020. This decrease was primarily attributable to a decreased sales volume and average cost per unit of some raw materials used in our production process decreased.

Gross Profit

For the six months ended June 30, 2019 and 2020, gross profit amounted to THB2,973.0 million and THB3,008.3 million, respectively, or as a percentage of sales revenue, 35.0% and 37.1%, respectively. The increase in gross profit margin was primarily attributable to some raw materials used in our production process decreased.

Selling Expenses

Total selling expenses increased THB12.0 million, or 1.1%, from THB1,066.5 million for the six months ended June 30, 2019 to THB1,078.5 million for the six months ended June 30, 2020. This increase was primarily attributable to the increased sales promotion expenses and advertising expenses partially offset by the decreased freight expenses and commissions and incentives.

Administrative Expenses

Total administrative expenses increased THB81.5 million, or 14.2%, from THB572.9 million for the six months ended June 30, 2019 to THB654.4 million for the six months ended June 30, 2020. This increase was primarily attributable to an increased allowance for doubtful accounts due to the adoption of the financial reporting standards relating to financial instruments (TFRS 9), as well as an increased depreciation and amortization partly offset by a decreased rental expenses due to the adoption of the financial reporting standards relating to leases standard (TFRS 16), as well as a decrease in the expenses since last year there was an additional provision for employee benefits amounted to THB31.1 million*.

*The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. The law is effective from 5 May 2019.



Profit for the period

Our profit for the period decreased THB97.3 million, or 8.8%, from THB1,111.9 million for the six months ended June 30, 2019 to THB1,014.6 million for the six months ended June 30, 2020. This decrease was primarily attributable to an increased administrative expenses, partially offset by an increased gross profit. Our net profit margin decreased from 13.0% for the six months ended June 30, 2019 to 12.4% for the six months ended June 30, 2020.

Income statement (THB million)	For the six months ended June 30,	
	2019	2020
Sales revenue	8,500.7	8,107.9
Total revenues	8,559.6	8,178.0
Cost of sales	5,527.7	5,099.6
Selling and administrative expenses	1,639.4	1,732.9
Losses (gains) on exchange rates, investments in trading securities and fair value of financial assets	(4.7)	16.8
Profit before finance cost and income tax	1,397.2	1,328.7
Profit for the period	1,111.9	1,014.6

Financial Position

Total Assets

As at December 31, 2019 and as at June 30, 2020, we had total assets of THB15,706.7 million and THB16,891.3 million, respectively. Our assets were mainly consisting of financial assets measured at fair value through profit or loss, trade and other receivables, inventories, property, plant and right-of-use assets. The increase in our total assets as at June 30, 2020 was primarily attributable to an increased right-of-use assets due to the adoption of the financial reporting standards relating to leases standard (TFRS 16).

Total Liabilities

As at December 31, 2019 and as at June 30, 2020, we had total liabilities of THB5,093.2 million and THB5,879.1million, respectively. Our liabilities were mainly consisting of trade and other payables, lease liabilities and short-term loans from financial institutions. The increase in our total liabilities as at June 30, 2020 was primarily



attributable to an increased lease liabilities due to the adoption of the financial reporting standards relating to leases standard (TFRS 16).

Total Shareholders' Equity

As at December 31, 2019 and as at June 30, 2020, we had total shareholders' equity THB10,613.5 million and THB11,012.2 million, respectively. The increase in total shareholders' equity as at June 30, 2020 was primarily attributable to an increase in unappropriated retained earnings from our operations.

Statement of financial position (THB million)	As at December 31, 2019	As at June 30, 2020
Total assets	15,706.7	16,891.3
Total liabilities	5,093.2	5,879.1
Total shareholders' equity	10,613.5	11,012.2
Total liabilities and shareholders' equity	15,706.7	16,891.3

Please be informed accordingly,

Yours Sincerely,

(Ms. Taweeporn Patanakitraung)
Chief Financial Officer