

9 August 2022

Re Management Discussion and Analysis for the second quarter and 6-months period of 2022
 Attn. The President
 The Stock Exchange of Thailand (SET)

R&B Food Supply Public Company Limited and its subsidiaries would like to notify the operating results stated in consolidated financial statements for the second quarter and 6-months period of year 2022 with the following details:

Revenues Structure

The revenues of manufacturing and distributing of Food Ingredients that are classified into 6 categories as follows:

- 1.1. Flavour, Fragrance & Color
- 1.2. Food Coating
- 1.3. Dry
- 1.4. Frozen
- 1.5. Packaging (Plastic)
- 1.6. Trading Goods

Analysis of Operating Results

Profit or Loss (In Million Baht)	Three months period (April - June)		Change		Six months period (January - June)		Change	
	2022	2021	Amount	%	2022	2021	Amount	%
	Revenue from sales and rendering services	978.35	788.35	190.01	24.10%	1,962.58	1,633.29	329.29
Cost of goods sold and rendering services	(643.43)	(489.25)	(154.18)	31.51%	(1,258.12)	(989.41)	(268.71)	27.16%
Gross profit	334.92	299.10	35.83	11.98%	704.46	643.88	60.58	9.41%
Gain (loss) on exchange rate	2.10	1.40	0.70	50.15%	14.20	(0.81)	15.00	-1861.78%
Other income	0.78	0.41	0.36	88.41%	5.01	1.81	3.20	176.78%
Selling expenses	(62.74)	(49.52)	(13.23)	26.72%	(124.82)	(104.42)	(20.40)	19.54%
Administrative expenses	(127.03)	(108.86)	(18.17)	16.69%	(249.31)	(220.02)	(29.29)	13.31%
Net impairment losses on financial assets	1.56	(8.46)	10.02	-118.44%	2.58	(10.73)	13.31	-124.08%
Finance costs	(2.32)	(1.83)	(0.49)	27.00%	(4.61)	(3.56)	(1.05)	29.61%
Profit before income tax expense	147.27	132.24	15.02	11.36%	347.50	306.15	41.35	13.51%
Income tax expense	(30.98)	(27.66)	(3.33)	12.03%	(65.50)	(62.83)	(2.66)	4.24%
Profit for the period from continuing operations	116.28	104.59	11.69	11.18%	282.00	243.32	38.69	15.90%
Gain (loss) from discontinued operations - net of tax	-	3.85	(3.85)	-100.00%	-	(58.74)	58.74	-100.00%
Profit for the period	116.28	108.44	7.84	7.23%	282.00	184.58	97.42	52.78%
Profit attributable to:								
Non-controlling interests	0.99	0.46	0.53	114.58%	3.85	1.58	2.27	143.34%
Owners of the parent	115.29	107.98	7.31	6.77%	278.16	183.00	95.16	52.00%

The Revenue from sales and rendering services for the second quarter of 2022

In Q2'2022, the revenue from sales and rendering services of the Group was THB 978.35 million, which increased by THB 190.01 million or 24.10% YoY compared to the second quarter of 2021, which revenue from sales was THB 788.35 million.

The increase in sales of THB 190.01 million, can be mainly considered as follows:

- 1) The source of Income
 - Increase in domestic sales of THB 116.79 million. (YoY 17.85%)
 - Increase in oversea sales of THB 73.22 million. (YoY 54.66%)
- 2) By Product Group
 - Increase in sales of Food Coating category THB 122.92 million. (YoY 40.11%)
 - Increase in sales of Flavour, Fragrance & Color category THB 28.33 million. (YoY 10.05%)
 - Increase in sales of Dry category THB 22.50 million. (YoY 42.67%)
 - Increase in sales of Trading Goods category THB 9.01 million. (YoY 7.16%)
 - Increase in sales of Plastic category THB 7.56 million. (YoY 159.09%)
- 3) By The Customer Group
 - Increase in sales from the Industrial customer THB 183.19 million. (YoY 27.67%)
 - Increase in sales from the Wholesale customer THB 22.53 million. (YoY 44.79%)
 - Decrease in sales from the Retail customer THB 15.71 million. (YoY -20.65%)

The increase in domestic sales of THB 116.79 million mainly came from the industrial customer and the wholesale customer of Food Coating category amounting to THB 61.13 million and THB 23.27 million ,respectively, and came from the industrial customer of Flavour, Fragrance & Color category amounting to THB 27.06 million.

The increase in oversea sales of THB 73.22 million mainly came from the industrial customer of Food Coating category amounting to THB 53.20 million and industrial customer of Dry category amounting to THB 12.92 million.

The Revenue from sales and rendering services for the 6-months period of 2022

For six-months period of 2022, the revenue from sales and rendering services of the Group was THB 1,962.58 million, which increased by THB 329.29 million or 20.16% YoY compared to the same period of 2021, which revenue from sales was THB 1,633.29 million.

The increase in sales of THB 329.29 million, can be mainly considered as follows:

- 1) The source of Income
 - Increase in domestic sales of THB 184.52 million. (YoY 13.41%)
 - Increase in oversea sales of THB 144.77 million. (YoY 56.24%)
- 2) By Product Group
 - Increase in sales of Food Coating category THB 217.08 million. (YoY 34.37%)
 - Increase in sales of Flavour, Fragrance & Color category THB 54.77 million. (YoY 9.14%)
 - Increase in sales of Dry category THB 34.00 million. (YoY 30.58%)
 - Increase in sales of Trading Goods category THB 9.36 million. (YoY 3.71%)
 - Increase in sales of Plastic category THB 7.49 million. (YoY 64.82%)
 - Increase in sales of Frozen category THB 6.59 million. (YoY 24.08%)

3) By The Customer Group

- Increase in sales from the Industrial customer THB 335.54 million. (YoY 24.59%)
- Increase in sales from the Wholesale customer THB 18.93 million. (YoY 15.11%)
- Decrease in sales from the Retail customer THB 25.18 million. (YoY -17.53%)

The increase in domestic sales of THB 184.52 million mainly came from the Industrial customer and the wholesale customer of Food Coating category amounting to THB 109.07 million and THB 20.70 million respectively and came from the industrial customer of Flavour, Fragrance & Color category amounting to THB 47.60 million.

The increase in oversea sales of THB 144.77 million mainly came from the Industrial customer of Food Coating category amounting to THB 112.56 million came from the Industrial customer of Dry category amounting to THB 15.30 million and the industrial customer of Flavour, Fragrance & Color category amounting to THB 11.23 million.

Gross Profit for the second quarter of 2022

In Q2'2022, the gross profit was THB 334.92 million or 34.23% of revenue from sales and rendering services, which increased by THB 35.83 million (YoY 11.98%) compared to the second quarter of 2021, which the gross profit was THB 299.10 million or 37.94% of revenue from sales and rendering services.

Due to the revenue increase from expanding customer markets both domestically and internationally, the gross profit in the second quarter of 2022 increased by THB 35.83 million, which came from the gross profit of Food Coating category by THB 17.87 million, the gross profit of Trading Goods category by THB 15.18 million, and the gross profit of Dry category by THB 7.49 million.

Declining average gross margin came from the proportion of the sales revenue in the low-margin product group increased more than the sales revenue of high-margin product group. In addition, the higher cost of some raw materials of Flavour, Fragrance & Color category and Food Coating category due to the price adjustment in the world market resulted in the higher cost of both categories.

Gross Profit for the 6-months period of 2022

For six-months period of 2022, the gross profit was THB 704.46 million or 35.89% of revenue from sales and rendering services, which increased by THB 60.58 million (YoY 9.41%) compared to the same period of 2021, which the gross profit was THB 643.88 million or 39.42% of revenue from sales and rendering services.

Due to the revenue increase from the business recovery of food and beverage industries, the gross profit for the 6-months period of 2022 increased by THB 60.58 million, which came from the gross profit of Food Coating category by THB 27.97 million, the gross profit of Flavour, Fragrance & Color category by THB 17.44 million, the gross profit of Dry category by THB 12.31 million, and the gross profit of Trading Goods category by THB 5.81 million.

Declining average gross margin came from the proportion of the sales revenue in the low-margin product group increased more than the sales revenue of high-margin product group. In addition, the higher cost of some raw materials of Flavour, Fragrance & Color category and Food Coating category due to the price adjustment in the world market resulted in the higher cost of both categories.

Selling and Administrative Expenses for the second quarter in 2022

In Q2'2022, selling and administrative expenses were THB 189.78 million, equaled to 19.40% of revenue from sales and rendering services. Selling and administrative expenses of the group increased by THB 31.40 million (YoY 19.83%) compared to the second quarter of 2021, which selling and administrative expenses were THB 158.38 million or 20.09% of revenue from sales and rendering services.

The significant changes of the selling and administrative expenses could be explained as follows:

- Increase in salary, commission fee, and employee expenses of THB 8.15 million, mainly due to
 - 1) Salary of staff increase in Research and Development Center, industrial sales team, and the oversea subsidiaries in Indonesia
 - 2) Annual salary increase
 - 3) Commission fee for the staff of both domestic and oversea
- Increase in transportation expenses and export expenses of THB 8.76 million from the increasing in Total sales
- Increase in sales commission of THB 2.69 million, mainly came from the industrial sales
- Increase in professional expenses of THB 2.44 million, mainly came from the increasing in the advisory from the Management team and Research and Development Center

Selling and Administrative Expenses for the 6-months period of 2022

For six-months period of 2022, selling and administrative expenses were THB 374.13 million, equaled to 19.06% of revenue from sales and rendering services. Selling and administrative expenses of the group increased by THB 49.69 million (YoY 15.32%) compared to the same period of 2021, which selling and administrative expenses were THB 324.44 million or 19.86% of revenue from sales and rendering services.

The significant changes of the selling and administrative expenses could be explained as follows:

- Increase in salary, commission fee, and employee expenses of THB 18.56 million, mainly due to
 - 1) Salary of staff increase in Research and Development Center, industrial sales team, Human Resource department and the oversea subsidiaries in Indonesia
 - 2) Annual salary increase and bonus increase
 - 3) Commission fee for the staff of both domestic and oversea
- Increase in Transportation expenses and export expenses of THB 14.38 million from the increasing in Total sales
- Increase in Sales commission of THB 3.06 million, mainly came from the industrial sales
- Increase in Cool & Cold storage expenses of THB 2.77 million from both of domestic and overseas

Net impairment losses on financial assets

In Q2'2022, the Group had reversal of net impairment losses on financial assets of THB 1.56 million, equaled to 0.16% of revenue from sales and rendering services, this resulted in a decrease in THB 10.02 million (YoY -118.44%) compared to the second quarter of 2021, which the net impairment losses on financial assets was THB 8.46 million or 1.07% of revenue from sales and rendering services. The decrease in the net impairment losses on financial assets mainly due to better debt settlement, resulting in a decrease in the allowance for expected credit losses.

For six-months period of 2022, the Group had reversal of net impairment losses on financial assets of THB 2.58 million, equaled to 0.13% of revenue from sales and rendering services, this resulted in a decrease in THB 13.31 million (YoY -124.08%) compared to the same period of 2021, which the net impairment losses on financial assets was THB 10.73 million or 0.66% of revenue from sales and rendering services. The decrease in the net impairment losses on financial assets mainly due to the decrease in the allowance for expected credit losses.

Profit for the second quarter of 2022

In Q2'2022, the profit for the period was THB 116.28 million, equaled to 11.89% of revenue from sales and rendering services, and increased by THB 7.84 million (YoY 7.23%) compared to the second quarter of 2021, which profit for the period was THB 108.44 million or 13.76% of revenue from sales and rendering services.

In Q2'2022, the profit for the period from continuing operations was THB 116.28 million, equaled to 11.89% of revenue from sales and rendering services, and increased by THB 11.69 million (YoY 11.18%) compared to the second quarter of 2021, which profit for the period was THB 104.59 million or 13.27% of revenue from sales and rendering services (excluding loss from discontinued operation of hotel business).

Profit for the 6-months period of 2022

For six-months period of 2022, the profit for the period was THB 282.00 million, equaled to 14.37% of revenue from sales and rendering services, and increased by THB 97.42 million (YoY 52.78%) compared to the same period of 2021, which profit for the period was THB 184.58 million or 11.30% of revenue from sales and rendering services.

For six-months period of 2022, the profit for the period from continuing operations was THB 282.00 million, equaled to 14.37% of revenue from sales and rendering services, and increased by THB 38.69 million (YoY 15.90%) compared to the same period of 2021, which profit for the period was THB 243.32 million or 14.90% of revenue from sales and rendering services (excluding loss from discontinued operation of hotel business).

Profit for the period attributable to owners of the Company for the second quarter of 2022

In Q2'2022, the profit for the period attributable to owners of the parent was THB 115.29 million, equaled to 11.78% of revenue from sales and rendering services, and increased by THB 7.31 million (YoY 6.77%) compared to the second quarter of 2021, which profit for the period attributable to owners of the Company was THB 107.98 million or 13.70% of revenue from sales and rendering services.

Profit for the period attributable to owners of the Company the 6-months period of 2022

For six-months period of 2022, the profit for the period attributable to owners of the Company was THB 278.16 million, equaled to 14.17% of revenue from sales and rendering services, and increased by THB 95.16 million (YoY 52.00%) compared to the same period of 2021, which profit for the period attributable to owners of the Company was THB 183.00 million or 11.20% of revenue from sales and rendering services.

Statement of Financial Position

Assets

As at 30 June 2022, the Group had the total assets of THB 5,062.34 million, increased by THB 56.82 million (YoY 1.14%) compared to 31 December 2021, which the total assets were THB 5,005.52 million.

The significant changes in assets comprised:

- 1) Decrease in cash and cash equivalents of THB 151.29 million. Mainly due to:
 - Dividend paid to the Company's shareholders of THB 300.00 million;
 - Net cash outflows for payments of machinery and equipment, improvement in building, and construction in progress of THB 164.48 million;
 - Payment for investing in joint venture, RBS - TU Food Ingredients Private Limited of THB 18.22 million;
 - Net of cash inflows from operating activities of THB 116.40 million;
 - Net of cash inflows from net offset of financial assets (fixed deposits) of THB 213.38 million.
- 2) Increase in inventories of THB 209.58 million, mainly due to:
 - the increase in finished goods of THB 105.94 million, mainly from the Trading goods category THB 46.84 million, Food coating category THB 41.79 million and Plastic category THB 10.61 million
 - the increase in raw materials of THB 140.22 million, mainly from Food coating category THB 109.31 million, Flavour, Fragrance & Color category THB 20.16 million
 - the decrease in goods in transit of THB 17.68 million, which was mainly from Trading goods category
 - the decrease in allowance for obsolete goods of THB 21.53 million, mainly from trading products that had faster turnover.

- 3) Increase in trade account receivable and other account receivable of THB 100.92 million, mainly due to
 - the increase in trade account receivable of THB 57.50 million, mainly from the increase in both domestic and oversea sales;
 - the increase in advance payment of THB 30.53 million, mainly from advance payment to suppliers and the deposit account for machineries from both of Thailand and oversea subsidiaries;
 - the increase in prepaid expenses of THB 3.63 million, which was mainly from the renewal of compulsory fire insurance policy.
- 4) Increase in property, plant, and equipment of THB 82.95 million, mainly due to an increasing in the investment in both of Thailand and abroad for machinery, equipment, land and asset under construction of THB 170.99 million and net offset with depreciation during in period of THB 91.38 million
- 5) Increase in the investment in a joint venture ,RBS - TU Food Ingredients Private Limited of THB 18.22 million
- 6) Decrease in right-of-use assets of THB 5.75 million, mainly derived the depreciation charged for the period of THB 12.99 million, the termination of the old right-of-use assets of THB 2.69 million, and the additional of new right-of-use assets of THB 9.94 million.

Liabilities

As at 30 June 2022, the Group had the total liabilities of THB 847.12 million, which was 16.73% of the total assets, increased by THB 78.16 million (YoY 10.16%) compared to 31 December 2021 which the total liabilities were THB 768.97 million, equaled to 15.36% of the total assets. The significant changes in liabilities caused from

- 1) the increase in trade account payables of THB 27.52 million mainly due to an increase in purchasing in raw materials and finished goods in order to support the increase in sales;
- 2) the increase in other account payables of THB 14.68 million mainly due to investment in machineries, equipment and construction in progress;
- 3) the increase in income tax payable of THB 27.24 million;
- 4) the increase in accrued expenses of THB 11.40 million mainly due to payable for salary base increment and accrued sale commission resulted from increased in sales;
- 5) net offset with the decrease in other current liabilities of THB 4.39 million.

Equity

As at 30 June 2022, the Group had the total equity of THB 4,215.22 million, or 83.27% of the total assets. The decrease in the total equity was THB 21.34 million or -0.50% compared to 31 December, 2021, which the total equity was THB 4,236.55 million, equaled to 84.64% of the total assets. The significant changes mainly due to:

- 1) Profit for the period attributable to owners of the Company for the 6-months period of 2022 of THB 278.15 million;
- 2) Profit for the period attributable to non-controlling interest for the 6-months period of 2022 of THB 3.85 million;
- 3) Increase in non-controlling interest from subsidiary requests from shares subscription payment net offset with dividend paid of THB 3.67 million;
- 4) Dividend paid to the company's shareholders of THB 300.00 million.

Statement of Cash flows

The statement of cash flows for the period ended 30 June 2022 were as follows:

- 1) Net cash inflows generated from operating activities of THB 116.40 million.
- 2) Net cash inflows generated from investing activities of THB 30.66 million, mainly from net cash received from financial assets (fixed deposits) of THB 213.38 million and cash payments for purchase of property, plant, equipment of THB 164.48 million, payment of shares in a joint venture , RBS - TU Food Ingredients Private Limited of THB 18.22 million.
- 3) Net cash outflows generated to financing activities of THB 302.62 million, mainly from dividend payment of THB 300.00 million.
- 4) Exchange gain on cash and cash equivalents of THB 4.28 million.
- 5) Cash and cash equivalents at 30 June 2022 was THB 623.18 million and at 31 December 2021 was THB 774.46 million.

Financial Ratios for the period as at 30 June 2022

compared to Financial Ratios as at 31 December 2021

1) Liquidity ratio

1.1 As at 30 June 2022, the current ratio was at 4.78 times, indicating that liquidity management is good and decreased compared to the current ratio as of 31 December 2021, which averaged at 5.50 times, because during the first 6 months of 2022, the cash balance decreased from the investment for business expansion in domestic and its subsidiaries and joint venture in foreign countries. In addition, the current liabilities increased from the increase in trade accounts payable and income tax payable.

1.2 As at 30 June 2022, the cash cycle was 181 days, a decreased of 6 days compared to the cash cycle as of 31 December 2021 was 187 days. The improvement came from better debt collection by 10 days.

Financial Ratios	Six months period as at 30 Jun. 2022	For the year as at 31 Dec. 2021
<u>Liquidity Ratio</u>		
Current Ratio (Time)	4.78	5.50
Quick Ratio (Time)	2.81	3.67
Average Collection Period (Day)	78	88
Average Sale Period (Day)	157	150
Average Payment Period (Day)	54	51
Cash Cycle (Day)	181	187

2) Profitability ratio

2.1 As at 30 June 2022, the Gross profit margin was at 35.89% decreased from 37.18% of gross profit margin as of 31 December 2021. Declining average gross margin came from the proportion of the sales revenue in the low-margin product group increased more than the sales revenue of high-margin product group. In addition, the higher cost of some raw materials of Flavour, Fragrance & Color category and Food Coating category due to the price adjustment in the world market resulted in the higher cost of both categories.

2.2 As at 30 June 2022, Return on Equity (ROE) was at 12.60% increased from 10.10% of Return on Equity as of 31 December 2021.

3) Efficiency ratio

3.1 As at 30 June 2022, the Return on Asset (ROA) was at 13.36% increased from 12.27% of Return on Asset as of 31 December 2021.

Financial Ratios	Six months period as at 30 Jun. 2022	For the year as at 31 Dec. 2021
<u>Profitability Ratio</u>		
Gross Profit Margin (%)	35.89	37.18
Operating Profit Margin (%)	16.83	17.60
Net Profit Margin (%)	14.33	12.47
Return on Equity (ROE%)	12.60	10.10
<u>Efficiency Ratio</u>		
Return on Asset (ROA%)	13.36	12.27
<u>Financial policy Ratio</u>		
Debt to Equity Ratio (Time)	0.20	0.18

Yours Sincerely

Suranart Kittirattanadetch
Chief Financial Officer
R&B Food Supply Public Company Limited