



S.Khonkaen Foods PCL. and its subsidiaries ("Company")

Management Discussion and Analysis

For the six-month ended 30 June 2022

Business Overview

In Q2/2022, the Company's total sales amounted to THB 771 million, increased by 11.4% YOY.

The Company has revenue from sales in the second quarter amounted to THB 771 million, representing an **increased by 11.4 percent** as compared to the same quarter of previous year (an increased by 3.0 percent from Q1/2022), due to sales growth via Modern Trade channels after the lifting of measures on the coronavirus disease 2019 ("Covid-19") pandemic and the launch of new ready-to-eat products, e.g., Fried Rice with Fermented Sausage and Chili, Spicy Vietnamese Sausage Salad and Processed Meat Snack under the "Sor Okkainarok (S. Spicy Chicken Breast)" brand in response to consumers' behaviour, including positive sales in the swine farming business thanks to the rising market price of pork

The Company has revenue from sales for the first six months amounted to THB 1,519 million, representing an **increased by 12.8 percent** as compared to the same period of previous year. Sales in processed food from pork, which accounted for 50 percent of total revenue from sales, showed a growth rate with an **increased by 8.3 percent** as compared to the same period of previous year, whereas sales in processed seafood sector, which accounted for 35 percent of total revenue from sales, showed a growth rate with an **increased by 7.9 percent** as compared to the same period of previous year

Profit attributable to the Company for the first six months of 2022 amounted to THB 65 million, decreased by 22.2% YOY, due to the increased costs of main raw materials

The Company has gross profit in the second quarter amounted to THB 186 million, representing 24.1 percent of revenue from sales. The gross profit margin **decreased by 2.5 percent** as compared to the same quarter of previous year, due to the increasing market prices of pork and chicken by over 30-40 percent as compared to the average prices in the previous year. The Company focused on cost management and price restructuring since the end of the first quarter, while the swine farming business generated higher gross profit from such price margins.

The Company has gross profit for the first six months amounted to THB 378 million, representing 24.9 percent of revenue from sales. The gross profit margin **decreased by 1.1 percent** as compared to the same period of previous year.

The company has net profit in the second quarter amounted to THB 40 million, representing 5.2 percent of revenue from sales, a **decreased by 17.9 percent** as compared to that of the previous year (an increased by 63.9 percent from Q1/2022). Upon

comparison of net profit margin to sales, the profit decreased by 1.9 percent as compared to that of the same quarter of previous year.

The company has net profit for the first six months amounted to THB 65 million, representing 4.3 percent of revenue from sales, a **decreased by 22.2 percent** as compared to the same period of previous year. Upon comparison of net profit margin to sales, the profit decreased by 1.9 percent as compared to the same period of previous year.

The Company recognized gain on change in fair value less cost of sales of biological assets in the first six months in the amount of THB 4 million, decreased by THB 11 million from the same period of last year. If such entry is excluded, the Company's profit in the first six months would amount to THB 61 million representing 4.0 percent of revenue from sales, decreased by 10.5 percent from the same period of last year.

Income Statements (Consolidated) Quarter 2 (April - June)	Quarter 2 2022		Quarter 2 2021		Change	
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)	(%QOQ)
Revenue from Sales	771	100.0 %	692	100.0 %	11.4 %	3.0 %
Cost of Sales	(585)	(75.9 %)	(508)	(73.5 %)	15.1 %	5.3 %
Gross Margin	186	24.1 %	184	26.5 %	1.1 %	(3.5 %)
Selling and Distribution Expenses	(82)	(10.7 %)	(52)	(7.5 %)	59.5 %	12.5 %
Administrative Expenses	(68)	(8.9 %)	(80)	(11.5 %)	(14.2 %)	5.2 %
EBIT	60	7.8 %	61	8.9 %	(1.5 %)	59.1 %
Financial Cost	(7)	(0.9 %)	(8)	(1.1 %)	(6.9 %)	(2.9 %)
Tax Expenses	(13)	(1.7 %)	(4)	(0.6 %)	195.1 %	117.7 %
Profit: Equity holders of the Company	40	5.2 %	49	7.1 %	(17.9 %)	63.9 %
Earning per Share (THB/Share)	0.12		0.15			

Income Statements (Consolidated) Year-to-Date (January - June)	YTD Jun 2022		YTD Jun 2021		Change	
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)	
Revenue from Sales	1,519	100.0 %	1,347	100.0 %	12.8 %	
Cost of Sales	(1,141)	(75.1 %)	(998)	(74.1 %)	14.4 %	
Gross Margin	378	24.9 %	349	25.9 %	8.2 %	
Selling and Distribution Expenses	(156)	(10.3 %)	(105)	(7.8 %)	49.0 %	
Administrative Expenses	(133)	(8.8 %)	(158)	(11.7 %)	(15.4 %)	
EBIT	98	6.5 %	109	8.1 %	(9.7 %)	
Financial Cost	(14)	(0.9 %)	(15)	(1.1 %)	(6.0 %)	
Tax Expenses	(19)	(1.2 %)	(10)	(0.7 %)	93.9 %	
Profit: Equity holders of the Company	65	4.3 %	84	6.2 %	(22.2 %)	
Earning per Share (THB/Share)	0.20		0.26			

Core Business

1. Processed Food from Pork

New products launched in response to consumers' behavior and cost management to mitigate impact of main raw materials

The Company has revenue from sales in the second quarter amounted to THB 397 million, representing 51 percent of total sales, with a growth rate **increased by 7.0 percent** as compared to the same quarter of previous year (an increased by 11.1 percent from Q1/2022), and its gross profit amounted to THB 82 million, representing 20.6 percent of revenue from sales.

The Company has revenue from sales for the first six months amounted to THB 753 million, representing 50 percent of total sales, with a growth rate **increased by 8.3 percent** as compared to the same period of previous year, and its gross profit amounted to THB 164 million, representing 21.8 percent of revenue from sales, The Company's revenue continued to grow, particularly via convenience stores, and new products could be distributed as planned.

The fluctuating and likely rising prices of pork and chicken, which accounted for the major production costs since late last year directly affected the gross margin. However, the Company focused on its internal management efforts by way of, among others, increase in the stock of raw materials at reasonable price, adjustment of credit terms for cash discount, including price restructuring.

2. Processed Seafood

Increase in distribution of products via 'community refrigerators' project to reach more new consumer groups

The Company has revenue from sales in the second quarter amounted to THB 263 million, representing 34 percent of total sales, with a growth rate **increased by 6.0 percent** as compared to the same quarter of previous year (a decreased by 1.0 percent from Q1/2022), and its gross profit amounted to THB 62 million, representing 23.6 percent of revenue from sales.

The Company has revenue from sales for the first six months amounted to THB 529 million, representing 35 percent of total sales, with a growth rate **increased by 7.9 percent** as compared to the same period of previous year, and its gross profit amounted to THB 130 million, representing 24.6 percent of revenue from sales. Export markets were still affected by the Covid-19 measures, which represented the Company's key counterparts, while domestic sales grew via both Modern Trade and Traditional Retail channels. The Company focused on expansion of selective partners for 'community refrigerators' project so as to increase its direct distribution channels to consumers.

The profit margin was affected by the rising prices of several items of seafood, as the main raw materials, whereby the Company planned to launch new ready-to-eat products during the second half of the year.

3. Quick Service Restaurant (QSR)

Revised sales plan and cost management for every branch to generate operating profits

The Company has revenue from sales in the second quarter amounted to THB 19 million, representing 2 percent of total sales, with a growth rate **increased by 47.8 percent** as compared to the same quarter of previous year (an increased by 32.4 percent from Q1/2022), and its gross profit amounted to THB 9 million, representing 48.2 percent of revenue from sales.

The Company has revenue from sales for the first six months amounted to THB 34 million, representing 2 percent of total sales, with a growth rate **increased by 8.9 percent** as compared to the same period of previous year, and its gross profit amounted to THB 17 million, representing 49.4 percent of revenue from sales. Last year, the Company closed certain branches which suffered from high operating loss due to the Covid-19 situations. Sales in the remaining branches and via delivery service channels tended to improve from last year, and in June, a new branch was opened in Muang Thong Thani, Nonthaburi Province.

4. Swine Farming

Market price of pork stays high, which will give rise to positive impact on profit of the swine farming business

The Company has revenue from sales in the second quarter amounted to THB 92 million, representing 12 percent of total sales, with a growth rate **increased by 52.9 percent** as compared to the same quarter of previous year (a decreased by 17.1 percent from Q1/2022), and its gross profit amounted to THB 33 million, representing 35.6 percent of revenue from sales.

The Company has revenue from sales for the first six months amounted to THB 203 million, representing 12 percent of total sales, with a growth rate **increased by 55.8 percent** as compared to the same period of previous year, and its gross profit amounted to THB 67 million, representing 33.1 percent of revenue from sales. The swine farming business continued to be positively affected by the market price of pork since the fourth quarter of last year, which enabled the Company to manage its overall costs. The Company also invested in and focused on control of the swine farming to meet biosecurity standards.

Revenue from Sales Segment Information	Quarter 2 2022			YTD Jun 2022	
	(THB Mil.)	(%YOY)	(%QOQ)	(THB Mil.)	(%YOY)
Grand Total	771	11.4 %	3.0 %	1,519	12.8 %
- Processed food from pork	397	7.0 %	11.1 %	753	8.3 %
- Processed seafood	263	6.0 %	(1.0 %)	529	7.9 %
- Quick Service Restaurant (QSR)	19	47.8 %	32.4 %	34	8.9 %
- Swine farm	92	52.9 %	(17.1 %)	203	55.8 %

Revenue from lease and services

The Company has revenue from rental and service in the second quarter amounted to THB 2 million, with a growth rate **decreased by 29.3 percent** as compared to the same quarter of previous year.

The Company has revenue from rental and service in the first six months amounted to THB 5 million, with a growth rate **decreased by 22.9 percent** as compared to the same period of previous year as a result of return of the leased premises for the supermarket operations on the ground floor of S.Tower Office Building on Bang Na-Trad Road, where the Company's office is also located.

Selling and distribution expenses

The Company has selling and distribution expenses in the second quarter amounted to THB 82 million, representing 10.7 percent of revenue from sales. The ratio of selling and distribution expenses to sales **increased by 3.2 percent** from the same quarter of previous year.

The Company has selling and distribution expenses in the first six months amounted to THB 156 million, representing 10.3 percent of revenue from sales. The ratio of selling and distribution expenses to sales **increased by 2.5 percent** from the same period of previous year due to such increase in the costs of delivery and the up-front and marketing fees for distribution of new products.

Administrative expenses

The Company has administrative expenses in the second quarter amounted to THB 68 million, representing 8.9 percent of revenue from sales. The ratio of administrative expense to sales **decreased by 2.6 percent** from the same quarter of previous year.

The Company has administrative expenses in the first six months amounted to THB 133 million, representing 8.8 percent of revenue from sales. The ratio of administrative expense to sales **decreased by 2.9 percent** from the same period of previous year.

Financial Highlights as of June 30, 2022

Assets

The Company's total assets amounted to THB 2,837 million, representing an increase by 2 percent as compared to that at the end of previous year. Property, plant and equipment increased from improvement of the Bang Phli factory, Samut Prakan, which is the main factory, and swine farming business to enhance the efficiency in biosecurity.

Liabilities

The Company has total liabilities amounted to THB 1,597 million, representing an increase by 2 percent as compared to that at the end of previous year. Current liabilities decreased by 3 percent due to drawdown of long-term loans to repay short-term loans, As of June 30, 2022 the debt to equity ratio was 1.29 times.

Shareholders' Equity

The Company has total shareholders' equity amounted to THB 1,241 million, representing an increase by 1 percent as compared to that at the end of previous year.

Statements of Financial Position (Consolidated)	June 30, 2022		December 21, 2021		Change
	(THB Mil.)	(%)	(THB Mil.)	(%)	(%YOY)
Total Assets	2,837	100.0 %	2,785	100.0 %	2 %
Current Assets	971	34.2 %	939	33.7 %	3 %
- Cash and cash equivalents	102	3.6 %	103	3.7 %	(1 %)
- Trade and other receivables	454	16.0 %	432	15.5 %	5 %
- Inventories	281	9.9 %	277	9.9 %	1 %
- Current biological assets	103	3.6 %	112	4.0 %	(8 %)
Investment Properties	631	22.3 %	629	22.6 %	0 %
Property, Plant, and Equipment	1,100	38.8 %	1,084	38.9 %	2 %
Right-of-use Assets	106	3.7 %	104	3.7 %	3 %
Total Liabilities	1,597	56.3 %	1,561	56.1 %	2 %
Current Liabilities	937	33.0 %	967	34.7 %	(3 %)
Non-Current Liabilities	659	23.2 %	594	21.3 %	11 %
Total Shareholders' Equity	1,241	43.7 %	1,224	43.9 %	1 %
Equity holders of the Company	1,239	43.7 %	1,222	43.9 %	1 %
Non-controlling interests of the subsidiaries	2	0.1 %	2	0.1 %	8 %