



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

Management Discussion and Analysis

For the year ended 31 December 2022

Business Overview

In Q4/2022, the Company's total sales amounted to THB 844 million, increased by 15.8% YOY.

The Company has revenue from sales in the fourth quarter amounted to THB 844 million, representing an **increased by 15.8 percent** as compared to the same quarter of previous year (an increased by 4.3 percent from Q3/2022), 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 Thai traditional food products, e.g., Spicy Fermented Sausage with Gooseberry Leaf, Processed Meat Snack under the "Sor Okkainarok (S. Spicy Chicken Breast)" brand and ready-to-eat products, such as, Fried Rice with Fermented Sausage and Chili, Spicy Vietnamese Sausage Salad, Tofu-Pork Meatballs, Grilled Chicken Marinated with coconut sugar etc. 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 year 2022 amounted to THB 3,172 million, representing an **increased by 14.6 percent** as compared to the same period of previous year. Sales in processed food from pork, which accounted for 50.4 percent of total revenue from sales, showed a growth rate with an **increased by 13.4 percent** as compared to the same period of previous year, whereas sales in processed seafood sector, which accounted for 34.7 percent of total revenue from sales, showed a growth rate with an **increased by 7.7 percent** as compared to the same period of previous year

Profit attributable to the Company for the year 2022 amounted to THB 101 million, decreased by 28.9% YOY.

The Company has gross profit in the fourth quarter amounted to THB 196 million, representing 23.2 percent of revenue from sales. The gross profit margin **decreased by 2.0 percent** as compared to the same quarter of previous year, due to the increasing market prices of pork and chicken as compared to the average prices in the previous year, the public utility costs, namely electricity costs, were increasing and as such, 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 year 2022 amounted to THB 763 million, representing 24.1 percent of revenue from sales. The gross profit margin **decreased by 1.8 percent** as compared to the same period of previous year.

The company has net profit in the fourth quarter amounted to THB 18 million, representing 2.1 percent of revenue from sales, a **decreased by 64.0 percent** as compared to that of the previous year (unchanged from Q3/2022). Upon comparison of net profit margin to sales, the profit decreased by 4.6 percent as compared to that of the same quarter of previous year.

The company has net profit for the year 2022 amounted to THB 101 million, representing 3.2 percent of revenue from sales, a **decreased by 28.9 percent** as compared to the same period of previous year. Upon comparison of net profit margin to sales, the profit decreased by 2.0 percent as compared to the same period of previous year.

The Company recognized loss on change in fair value less cost of sales of biological assets in the year 2022 in the amount of THB 15 million, increased by THB 51 million from the same period of last year. If such entry is excluded, the Company's profit for the year 2022 would amount to THB 116 million representing 3.6 percent of revenue from sales, increased by 9.4 percent from the same period of last year.

| Income Statements (Consolidated) October - December | Quarter 4/22 | | Quarter 4/21 | | Change | |
|--|--------------|----------------|--------------|----------------|-----------------|-----------------|
| | (THB Mil.) | (%) | (THB Mil.) | (%) | (%YOY) | (%QOQ) |
| Revenue from Sales | 844 | 100.0 % | 729 | 100.0 % | 15.8 % | 4.5 % |
| Cost of Sales | (649) | (76.9 %) | (545) | (74.8 %) | 19.1 % | 4.8 % |
| Gross Margin | 195 | 23.1 % | 184 | 25.2 % | 6.0 % | 3.2 % |
| Selling and Distribution Expenses | (83) | (9.8 %) | (71) | (9.7 %) | 16.9 % | (4.6 %) |
| Administrative Expenses | (86) | (10.2 %) | (92) | (12.6 %) | (6.5 %) | 16.2 % |
| EBIT | 16 | 1.9 % | 76 | 10.4 % | (78.9 %) | (51.5 %) |
| Financial Cost | (8) | (0.9 %) | (7) | (1.0 %) | 14.3 % | - |
| Tax Expenses | 7 | 0.8 % | (18) | (2.5 %) | (138.9 %) | (200.0 %) |
| Profit: Equity holders of the Company | 18 | 2.1 % | 50 | 6.9 % | (64.0 %) | - |
| Earning per Share (THB/Share) | 0.06 | | 0.15 | | | |

| Income Statements (Consolidated) Year-to-Date (January - December) | Full Year 2022 | | Full Yr 2021 | | Change | |
|---|----------------|---------------|--------------|---------------|-----------------|--|
| | (THB Mil.) | (%) | (THB Mil.) | (%) | (%YOY) | |
| Revenue from Sales | 3,172 | 100% | 2,766 | 100% | 14.7 % | |
| Cost of Sales | (2,409) | (75.9 %) | (2,050) | (74.1 %) | 17.5 % | |
| Gross Margin | 763 | 24.1 % | 716 | 25.9 % | 6.6 % | |
| Selling and Distribution Expenses | (326) | (10.3 %) | (242) | (8.7 %) | 34.7 % | |
| Administrative Expenses | (294) | (9.3 %) | (331) | (12.0 %) | (11.2 %) | |
| EBIT | 147 | 4.6 % | 205 | 7.4 % | (28.3 %) | |
| Financial Cost | (30) | (0.9 %) | (30) | (1.1 %) | - | |
| Tax Expenses | (19) | (0.6 %) | (32) | (1.2 %) | (40.6 %) | |
| Profit: Equity holders of the Company | 101 | 3.2 % | 142 | 5.1 % | (28.9 %) | |
| Earning per Share (THB/Share) | 0.31 | | 0.44 | | | |

Core Business

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

1. Processed Food from Pork

The Company has revenue from sales in the fourth quarter amounted to THB 429 million, representing 50.8 percent of total sales, with a growth rate **increased by 21.9 percent** as compared to the same quarter of previous year (an increased by 2.9 percent from Q3/2022), and its gross profit amounted to THB 68 million, representing 15.9 percent of revenue from sales.

The Company has revenue from sales for the year 2022 amounted to THB 1,599 million, representing 50.4 percent of total sales, with a growth rate **increased by 13.4 percent** as compared to the same period of previous year, and its gross profit amounted to THB 309 million, representing 19.3 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 and cost management.

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 fourth quarter amounted to THB 301 million, representing 35.7 percent of total sales, with a growth rate **increased by 9.1 percent** as compared to the same quarter of previous year (an increased by 11.5 percent from Q3/2022), and its gross profit amounted to THB 83 million, representing 27.6 percent of revenue from sales.

The Company has revenue from sales for the year 2022 amounted to THB 1,100 million, representing 34.7 percent of total sales, with a growth rate **increased by 7.7 percent** as compared to the same period of previous year, and its gross profit amounted to THB 279 million, representing 25.4 percent of revenue from sales. Domestic sales grew due to the Company's policy on sales increase via new Modern Trade and Traditional Retail channels with partners' community refrigerators project.

Despite such impact on the Company from the rising prices of seafood, as the main raw materials, the Company restructured product pricing, cost management and launched new ready-to-eat products via Modern Trade channels under the name "Im Khum" menu sets, e.g., Large Fish Ball, Fish Noodle and Fish Ball Soup.

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 fourth quarter amounted to THB 19 million, representing 2.3 percent of total sales, with a growth rate **increased by 58.3 percent** as compared to the same quarter of previous year (unchanged from Q3/2022), and its gross profit amounted to THB 10 million, representing 52.6 percent of revenue from sales.

The Company has revenue from sales for the year 2022 amounted to THB 72 million, representing 2.3 percent of total sales, with a growth rate **increased by 38.5 percent** as compared to the same period of previous year, and its gross profit amounted to THB 35 million, representing 48.6 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 during this period, 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 fourth quarter amounted to THB 96 million, representing 11.4 percent of total sales, with a growth rate **increased by 7.9 percent** as compared to the same quarter of previous year (a decreased by 5.9 percent from Q3/2022), and its gross profit amounted to THB 35 million, representing 36.5 percent of revenue from sales.

The Company has revenue from sales for the year 2022 amounted to THB 401 million, representing 12.6 percent of total sales, with a growth rate **increased by 41.2 percent** as compared to the same period of previous year, and its gross profit amounted to THB 141 million, representing 35.2 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 and minimize its overall costs. The Company also invested in and focused on control of the swine farming to meet biosecurity standards.

| Income Statements (Consolidated) Segment information | Quarter 4/22 | | | Full year 2022 | |
|---|--------------|---------------|--------------|----------------|---------------|
| | (THB Mil.) | (%YOY) | (%QOQ) | (THB Mil.) | (%YOY) |
| Revenue from Sales | 429 | 15.8 % | 4.3 % | 3,172 | 14.6 % |
| Cost of Sales | 429 | 21.9 % | 2.9 % | 1,599 | 13.4 % |
| Gross Margin | 301 | 9.1 % | 11.5 % | 1,100 | 7.7 % |
| Selling and Distribution Expenses | 19 | 58.3 % | - | 72 | 38.5 % |
| Administrative Expenses | 96 | 7.9 % | (5.9 %) | 401 | 41.2 % |

Revenue from lease and services

The Company has revenue from rental and service in the fourth quarter amounted to THB 3 million, unchanged as compared to the same quarter of previous year.

The Company has revenue from rental and service in the year 2022 amounted to THB 11 million, with a growth rate **decreased by 15.4 percent** as compared to the same period of previous year as a result of return of the leased premises of S.Tower Office Building on Bang Na-Trad Road, where the Company's office is located.

Selling and distribution expenses

The Company has selling and distribution expenses in the fourth quarter amounted to THB 83 million, representing 9.8 percent of revenue from sales. The ratio of selling and distribution expenses to sales **increased by 0.1 percent** from the same quarter of previous year.

The Company has selling and distribution expenses in the year 2022 amounted to THB 326 million, representing 10.3 percent of revenue from sales. The ratio of selling and distribution expenses to sales **increased by 0.5 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 fourth quarter amounted to THB 86 million, representing 10.2 percent of revenue from sales. The ratio of administrative expense to sales **decreased by 2.4 percent** from the same quarter of previous year.

The Company has administrative expenses in the year 2022 amounted to THB 294 million, representing 9.3 percent of revenue from sales. The ratio of administrative expense to sales **decreased by 2.7 percent** from the same period of previous year.

Financial Highlights as of December 31, 2022

Assets

The Company's total assets amounted to THB 3,099 million, representing an increase by 11.3 percent as compared to that at the end of previous year. Inventory increased from the stock of raw materials for production during the prices of raw materials drop. Account receivable increased in line with sales growth in the fourth quarter.

Liabilities

The Company has total liabilities amounted to THB 1,823 million, representing an increase by 11.3 percent as compared to that at the end of previous year. Current liabilities increased by 20.3 percent and non-current liabilities increased by 11.1 percent from an

increase in credit facilities for operations and improve the factory., As of December 31, 2022 the debt to equity ratio was 1.43 times.

Shareholders' Equity

The Company has total shareholders' equity amounted to THB 1,278 million, representing an increase by 4.6 percent as compared to that at the end of previous year.

| Statements of Financial Position (Consolidated) | December 31, 2022 | | December 21, 2021 | | Change |
|---|-------------------|----------------|-------------------|----------------|---------------|
| | (THB Mil.) | (%) | (THB Mil.) | (%) | (%YOY) |
| Total Assets | 3,099 | 100.0 % | 2,785 | 100.0 % | 11.3 % |
| Current Assets | 1,224 | 39.5 % | 939 | 33.7 % | 30.4 % |
| - Cash and cash equivalents | 187 | 6.0 % | 103 | 3.7 % | 81.6 % |
| - Trade and other receivables | 524 | 16.9 % | 432 | 15.5 % | 21.3 % |
| - Inventories | 384 | 12.4 % | 277 | 9.9 % | 38.6 % |
| Investment Properties | 666 | 21.5 % | 629 | 22.6 % | 5.9 % |
| Property, Plant, and Equipment | 1,082 | 34.9 % | 1,084 | 38.9 % | (0.2 %) |
| Right-of-use Assets | 101 | 3.3 % | 104 | 3.7 % | (2.9 %) |
| Total Liabilities | 1,823 | 58.8 % | 1,561 | 56.1 % | 16.8 % |
| Current Liabilities | 1,163 | 37.5 % | 967 | 34.7 % | 20.3 % |
| Non-Current Liabilities | 660 | 21.3 % | 594 | 21.3 % | 11.1 % |
| Total Shareholders' Equity | 1,276 | 41.2 % | 1,224 | 43.9 % | 4.2 % |
| Equity holders of the Company | 1,278 | 41.2 % | 1,222 | 43.9 % | 4.6 % |
| Non-controlling interests of the subsidiaries | (2) | (0.1 %) | 2 | 0.1 % | (200.0 %) |