

24 February 2020

Re Management Discussion and Analysis for the year 2019 (Revised)

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 year 2019. The details as follows:

The Structure of Revenues

R&B Food Supply Public Company Limited and its subsidiaries operate their businesses mainly in production and trading of Food Ingredients. The structure of revenues is 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

Moreover, RBF's subsidiaries have also invested in hotel business which comprises of 2 hotels: Ibis Styles Chiangmai Hotel invested by Premium Foods Co., Ltd. and Novotel Chumporn Beach & Golf invested by Thai Flavour and Fragrance Co., Ltd.

Operation Results

| Statement of Comprehensive Income (MB) | For the 12 Mth period ended 31 December | | Change | |
|--|--|-----------------|---------------|---------------|
| | 2018 | 2019 | MB | % |
| Revenues from sales and rendering services | 2,632.52 | 2,776.38 | 143.86 | 5.46% |
| Revenues from hotel operations | 105.72 | 88.28 | -17.45 | -16.50% |
| Total revenue | 2,738.25 | 2,864.65 | 126.41 | 4.62% |
| Cost of goods sold and rendering services | 1,627.68 | 1,668.38 | 40.70 | 2.50% |
| Cost of rendering hotel services | 116.48 | 105.66 | -10.83 | -9.29% |
| Total cost | 1,744.17 | 1,774.03 | 29.87 | 1.71% |
| Gross profit | 994.08 | 1,090.62 | 96.54 | 9.71% |
| Other income | 11.34 | 17.34 | 6.00 | 52.92% |
| Selling expenses | 191.18 | 182.01 | -9.17 | -4.80% |
| Administrative expenses | 386.17 | 457.10 | 70.92 | 18.37% |
| Finance costs | 20.71 | 25.95 | 5.24 | 25.33% |
| Profit before income tax expense | 407.36 | 442.90 | 35.54 | 8.72% |
| Income tax expense | 86.24 | 89.37 | 3.12 | 3.62% |
| Profit for the period | 321.11 | 353.54 | 32.42 | 10.10% |
| Profit attributable to: | | | | |
| Non-controlling interests | -2.64 | 0.76 | 3.40 | -128.78% |
| Owners of the parent | 323.75 | 352.78 | 29.02 | 8.97% |

The Revenues from Operations

In 2019, the revenues from operations of the Company and its subsidiaries was THB 2,864.65 million which increased by THB 126.41 million or by 4.62% compared to 2018. The significant changes of each type of the revenues can be explained as follows:

1. REVENUES FROM SALES OF MANUFACTURING AND TRADING GOODS

In 2019, the revenue of the Company and its subsidiaries was THB 2,776.38 million, equaled to 96.92% of the total revenues from operations, and increased by THB 143.86 million or 5.46% compared to the revenues of 2018.

This is mainly due to the increase in sales of Food Coating, Flavour, Fragrance & Color, and Dry categories. Mainly increased in sales of existing domestic customers and customers of subsidiaries in Vietnam and Indonesia.

2. REVENUES FROM HOTEL OPERATIONS

In 2019, the revenue from hotel operations of the Company and its subsidiaries was THB 88.28 million, equaled to 3.08% of the total revenues from operations. The revenues from hotel operations decreased by THB 17.45 million or 16.50% compared to the revenues of 2018, mainly due to the decrease in Chinese tourists, there was impact from closed partial hotel's area for renovation Ibis Styles Chiangmai Hotel in the third quarter of 2019 and the smoke pollution crisis in Chiangmai province during the beginning of 2019.

Gross Profit

In 2019, gross profit was THB 1,090.62 million or 38.07% of the total revenues from operations, which increased by THB 96.54 million or by 9.71% compared to 2018, which gross profit was THB 994.08 million or 36.30% of total revenues from operations. The significant changes of the revenue can be explained as follows:

1. GROSS PROFIT FROM SALES OF MANUFACTURING AND TRADING GOODS

In 2019, the gross profit of Food Ingredients business was THB 1,108.00 million or 39.91% of the total revenues from operations, which increased by THB 103.16 million or by 10.27% compared to 2018, which the gross profit was THB 1,004.84 million or **38.17%** of the total revenue from operations. Mainly increased due to the increase in sales of main product categories, resulting in the increase in gross profit of Food Coating for THB 15.14 million and Flavor & Fragrance for THB 63.86 million.

2. GROSS PROFIT FROM HOTEL OPERATIONS

In 2019, the negative gross margin of hotel operations was THB 17.38 million, equaled to 19.69% of the total revenues from operations. The hotel operations had the negative gross margin increased of THB 6.62 million or by 61.54% compared to 2018. This is mainly due to the decrease in the high volume tourists from China and from the smoke pollution crisis in Chiangmai province during the beginning of 2019.

Selling and Administrative Expenses

In 2019, selling and administrative expenses was THB 639.11 million, equaled to 22.31% of the total revenue from operations. Selling and administrative expenses of the Company and its subsidiaries increased by THB 61.75 million or by 10.70% compared to 2018. The significant changes of the selling and administrative expenses can be explained as follows:

