

Acc. 008/2018

November 8, 2018

To: The President
The Stock Exchange of Thailand

Subject: Management discussion and analysis (MD&A) for Quarter 3/2018

Dear Sir,

S. Khonkaen Foods Public Company Limited or "SORKON" and its subsidiaries ("the company") would like to clarify the operating results for Quarter 3/2018 as follows:

Revenue and Net Sales

The Company recorded its total revenue of Baht 724.1 million, or 4.8 % increased from Q3/2017 in Baht 33.4 million of which Baht 711.9 million was revenue from sales. The Company had successfully recorded a sales growth of Baht 35.6 million, or 5.3 % year-over-year. Please find the details of sales growth by business units as follows:

- Processed meat business (Traditional Thai Food, Snack and Frozen) recorded its revenue of Baht 374.3 million of which 4.9 % increased from Q3/2017 or in Baht 17.5 million.
- Seafood business recorded its revenue of Baht 243.5 million of which 7.3% increased from Q3/2017 or in Baht 16.6 million.
- QSR business recorded its revenue of Baht 36.2 million of which 13.4% decreased from Q3/2017 or in Baht 5.6 million, because of closing some branches in the end of year 2017.
- Swine farm business recorded its revenue of Baht 58.0 million of which 14.0% increased from Q3/2017 or in Baht 7.1 million due to increasing of price of fattening pig about 7%.

Gross Profit Margin

Gross Profit Margin (GPM) in Quarter 3/2018 was Baht 229.7 million, improved from Q3/2017 by Baht 18.6 million or 8.8% YoY. Moreover, GPM rate increased to 32.3% from 31.2% recorded last year. Details of GPM by business units are as follows:

- Processed meat business (Traditional Thai Food, Snack and Frozen) recorded its GPM of Baht 140.2 million of which 17.7% increased from Q3/2017 or in Baht 21.1 million mainly due to sales growth.
- Seafood business recorded its GPM of Baht 67.0 million of which 2.2% increased from Q3/2017 or in Baht 1.5 million due to increasing of price of raw material.
- QSR business recorded its GPM of Baht 20.5 million of which 11.8% decreased from Q3/2017 or in Baht 2.7 million due to closing unperformed branches.
- Swine farm business recorded its GPM of Baht 2.0 million, decreased of Baht 1.3 million from Q3/2017 due to increasing of feed cost.

Selling and Administration Expenses

Selling and administration expenses in Quarter 3/2018 increased of Baht 7.5 million or 4.5%, as result of IT system development and internal control of subsidiaries improvement.

Other Transaction

In Quarter 3/2018, the company recorded Baht 4.0 million from gain on changes in fair value less costs to sell biological asset and Baht 2.7 million, Baht 3.9 million from new office building revenue and expenses.

Financial Cost

Financial cost in Quarter 3/2018 was Baht 8.6 million of which 19.5% decreased from Q3/2017 or in Baht 2.1 million, as result of repayment of loans from financial institutions.

Net Profit

In the Quarter 3/2018, the company recorded net profit attributable to equity holders of the company of Baht 45.5 million compared with Baht 37.7 million in Q3/2017, increased in Baht 7.8 million or 20.7% YoY.

Financial Position

Asset

As of 30 September 2018, the company reported total Asset of Baht 2,327.6 million, decreased from Baht 2,475.8 million by the year-end 2017, or decreased by Baht 148.1 million or 6.0% as selling of deposits for land.

Liabilities

As of 30 September 2018, the company reported total Liabilities of Baht 1,297.8 million, decreased from Baht 1,538.1 million by the year-end 2017, or decreased by Baht 240.3 million or 15.6% due to decreasing in loans from financial institutions.

Equities

As of 30 September 2018, the company reported total Equities of Baht 1,029.8 million, increased from Baht 937.7 million by the year-end 2017, or increased by Baht 92.2 million or 9.8%.

Respectfully Yours,

(Mr. Charoen Rujirasopon, Mrs. Niramon Rujirasopon)

Authorized Directors