

Acc. 001/2019

February 25, 2019

To: The President
The Stock Exchange of Thailand

Subject: Management discussion and analysis (MD&A) for Year 2018

Dear Sir,

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

Revenue and Net Sales

The Company recorded its total revenue of Baht 2,952.2 million, or 6.3 % increased from Year 2018 in Baht 175.5 million of which Baht 2,869.8 million was revenue from sales. The Company had successfully recorded a sales growth of Baht 162.2 million, or 6.0 % 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 1,546.6 million of which 8.4 % increased from Year 2017 or in Baht 119.8 million.
- Seafood business recorded its revenue of Baht 978.3 million of which 5.5% increased from Year 2017 or in Baht 51.2 million.
- QSR business recorded its revenue of Baht 138.8 million of which 12.5% decreased from Year 2017 or in Baht 19.8 million, because of closing some branches in the end of year 2017.
- Swine farm business recorded its revenue of Baht 206.0 million of which 5.7% increased from Year 2017 or in Baht 11.1 million due to increasing of price of fattening pig in Q4/2017 about 27%.

Gross Profit Margin

Gross Profit Margin (GPM) in Year 2018 was Baht 926.3 million, improved from Year 2017 by Baht 97.7 million or 11.8% YoY. Moreover, GPM rate increased to 32.3% from 30.6% 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 591.1 million of which 19.9% increased from Year 2017 or in Baht 98.1 million mainly due to sales growth and decreasing of pork price in half year.
- Seafood business recorded its GPM of Baht 278.1 million of which 9.8% increased from Year 2017 or in Baht 24.7 million due to effectiveness in raw material and production cost management.
- QSR business recorded its GPM of Baht 77.0 million of which 11.3% decreased from Year 2017 or in Baht 9.8 million due to closing unperformed branches.
- Swine farm business recorded its GPM (loss) of Baht 19.9 million, increased of Baht 15.3 million from Year 2017 due to decreasing of pig finisher's price in half year and increasing of feed cost.

Selling and Administration Expenses

Selling and administration expenses in Year 2018 increased by Baht 49.0 million or 7.4%, as result of human resource and IT system development and internal control of subsidiaries improvement.

Other Transaction

In Year 2018, the company recorded Baht 34.0 million from gain on changes in fair value less costs to sell biological asset, gain on sales deposits from land Baht 22.2 million and Baht 11.1 million, Baht 15 million from new office building revenue and expenses.

Financial Cost

Financial cost in Year 2018 was Baht 36.8 million of which 12.5% decreased from Year 2017 or in Baht 5.3 million, as a result of repayment of loans from financial institutions.

Net Profit

In the Year 2018, the company recorded net profit attributable to equity holders of the company of Baht 191.3 million compared with Baht 136.4 million in Year 2017, increased in Baht 54.9 million or 40.2% YoY.

Financial Position

Asset

As of 31 December 2018, the company reported total Asset of Baht 2,405.7 million, decreased from Baht 2,475.8 million by the year-end 2017, or decreased by Baht 70 million or 2.8% as selling of deposits for land.

Liabilities

As of 31 December 2018, the company reported total Liabilities of Baht 1,347.5 million, decreased from Baht 1,538.1 million by the year-end 2017, or decreased by Baht 190.5 million or 12.4% due to decreasing in loans from financial institutions.

Equities

As of 31 December 2018, the company reported total Equities of Baht 1,058.2 million, increased from Baht 937.7 million by the year-end 2017, or increased by Baht 120.5 million or 12.8%

Respectfully Yours,

(Mr. Charoen Rujirasopon, Mrs. Niramon Rujirasopon)

Authorized Directors